

# The National Underwriter

A WEEKLY NEWSPAPER OF INSURANCE

FRIDAY, JUNE 10, 1932

## *Thirty-Two Years Ago on May 5, 1900 The Federal Life Insurance Company*

Commenced operating as a Life Company under the supervision of

**ISAAC MILLER HAMILTON, PRESIDENT**

Who has been at the helm during this entire period.

This year 1932 the Federal celebrates the Twentieth Anniversary of its Accident and Health Department and closed the year 1931 with an Accident and Health premium income of

**\$2,752,202.00**

Many changes have taken place in the business of Accident and Health Insurance during these two decades. Twenty years ago the automobile was a novelty and the problem of automobile accidents was of trifling importance.

### **IN 1931**

The Federal paid claims for automobile accidents totaling

**\$1,004,595.02**

Total Accident claims in 1931

**\$1,369,879.09**

Claims paid for sickness during 1931 amounted to

**\$393,494.10**

Total payments to policyholders since organization over

**\$33,000,000.00**

Including Life policy payments

All standard forms of Life, Accident and Health insurance including Non-Cancellable policies—Regular—and for automobile accidents, Monthly Premium policies, including an old time Low Cost policy at one dollar per month up.

Liberal Life policies—Endowment, Term policies and a new Life Expectancy form. The popular Family Income plan and a remarkable new Life policy at \$2.00 per month and up.

*A "Human Being" Insurance program for live salesmen.  
Information on request.*

## **Federal Life Insurance Company**

ISAAC MILLER HAMILTON, PRESIDENT

— CHICAGO —

# THE FIRST REINSURANCE COMPANY OF HARTFORD

George E. Turner, President

115 BROAD STREET, HARTFORD, CONNECTICUT

**T**HERE is no branch of insurance in which the day by day relations between the company and its reinsurer are closer, or the careful selection of a reinsurance company more important than in the field of Accident and Health Insurance. « « « «

To companies specializing in Accident and Health, The First Reinsurance Company of Hartford offers the reinsurance facilities of a company proven by time, thoroughly equipped and seasoned by a broad experience in that particular field.

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**FIRST REINSURANCE COMPANY CHARTERED IN THE UNITED STATES**

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# The National Underwriter

THIRTY-SIXTH YEAR  
No. 23A

CHICAGO, NEW YORK, CINCINNATI AND SAN FRANCISCO, FRIDAY, JUNE 10, 1932  
Office of Publication, 175 W. Jackson Boulevard, Chicago, Illinois

HEALTH AND ACCIDENT  
CONFERENCE NUMBER

## Conference O. K. on Bureau Program

### McNeill Chosen as New President

Heads Massachusetts Accident,  
Representing Third Genera-  
tion in That Post

### C. W. RAY NEXT IN LINE

President of Hoosier Casualty Selected  
as Chairman of Conference  
Executive Committee

Chester W. McNeill, president of the Massachusetts Accident, who was elected president of the Health & Accident Underwriters Conference at its annual meeting in Chicago this week, was born and brought up in the accident and health business. He represents the third generation of his family in the presidency of his company, which was founded by his father, George E. McNeill, and will soon celebrate its 50th anniversary, and carried on with an equally distinguished record by his father, G. Leonard McNeill. Chester McNeill entered the service of the company as a boy, advancing through various official positions and succeeding to the presidency on the death of his father some years ago. The steady record of growth which the company had made under his administration gives ample evidence of his ability to sustain the underwriting traditions of his family.

### New Officers Elected

#### PRESIDENT

Chester W. McNeill, Massachusetts Accident

#### CHAIRMAN EXECUTIVE COMMITTEE

C. W. Ray, Hoosier Casualty

#### FIRST VICE-PRESIDENT

S. C. Carroll, Mutual Benefit Health & Accident

#### SECOND VICE-PRESIDENT

O. B. Hartley, Great Western

#### SECRETARY

Frank P. Proper, Employers Reinsurance

#### NEW MEMBERS EXECUTIVE COMMITTEE

C. W. Ray, P. H. Rogers, Massachusetts Bonding (reelected); D. C. MacEwen, Pacific Mutual Life

D. C. MacEwen, retiring president, named A. E. Forrest, North American Accident, and T. Leigh Thompson, National Life & Accident, to escort Mr. McNeill to the chair. In presenting the new president to the conference, Mr. Forrest said he had performed a like service for his grandfather in 1899. He paid high tribute to the elder McNeill and predicted good results for the administration of the younger.

#### Veteran Named Chairman of Executive Committee

C. W. Ray, president of the Hoosier Casualty, who was chosen chairman of the executive committee and thereby placed in line for the presidency next year, is one of the veterans of the conference and has served as first vice-president the past year. He attended the second meeting of the old Detroit Conference and has missed very few

sessions since that time. His company, of which he is one of the founders, is celebrating its 25th anniversary this year. He has been active in its management through that period.

#### Carroll and Hartley Elected Vice-presidents

Sam S. Carroll, Mutual Benefit Health & Accident, was advanced from second to first vice-president and O. B. Hartley, Great Western, who made a deep impression with his contribution to the program this year, was elected second vice-president. P. H. Rogers, whose term as a member of the executive committee expired this year, was reelected, the new members being Mr. Ray and Mr. MacEwen, the retiring president.

No action was taken in regard to the selection of the next meeting place, that matter being left in the hands of the executive committee.

### Approval Given to Reform Plan

Resolution Adopted Recommend-  
ing Its Use for Commer-  
cial Business

### MEETING AT HIGH MARK

Attendance, Program and Interest  
Manifested Are Best for Many  
Years Past

Cordial approval and endorsement was given to the new program of the Bureau of Personal Accident & Health Underwriters in a resolution adopted by the Health & Accident Underwriters Conference at the closing session of its annual meeting at the Edgewater Beach Hotel in Chicago this week. This action is indicative of the closer relations that have come about between the two major supervising organizations in the accident and health field, which have been manifested in many ways in the past year. D. A. MacEwen, Pacific Mutual Life, retiring president of the conference, represents a company which is a member of the bureau, and has been active in its councils. P. H. Rogers, Massachusetts Bonding, now chairman of the bureau, is a member of the executive committee of the conference and has long been one of its most active workers. He gave material assistance

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CHESTER W. McNEILL  
Massachusetts Accident  
New President of Conference



D. C. MacEWEN  
Pacific Mutual Life  
Retiring President



C. W. RAY  
Hoosier Casualty  
Chairman Executive Committee



HAROLD R. GORDON  
Chicago  
Executive Secretary



## New Program Adopted by Bureau Distinct Success

By E. C. BOWEN

Secretary Accident and Liability Department, Aetna Life

The program of the Bureau of Personal Accident & Health Underwriters is easily understood. The effective date of the program was March 1, 1932. It is based upon a report presented by the underwriting committee of the bureau after nearly two years of intensive study of practically all phases of the commercial accident and health insurance business. The committee report contains eight proposals, which can be briefly stated as follows: Proposal 1 defines the forms of policies included under the program. Proposal 2 defines the territory in which the program is operated. Proposal 3 provides that each member company shall submit to the bureau accident experience statistics in connection with its own business (new and renewal). Proposal 4 provides for the adoption of the standard classification manual of the bureau by each member company. Proposal 5 provides that each member company be furnished a set of advisory general underwriting instructions. Proposal 6 provides language for certain clauses which shall be mandatory as to intent. Proposal 7 requires that each subscribing member company shall file with the bureau any and all policies coming within the scope of the program which it proposes to use in writing new business, for approval and rating. Proposal 8 requires the bureau to furnish each member company with a set of six complete advisory policies.

### Thirty Companies Have Filed Acceptances So Far

Each member company was furnished with two copies of the underwriting committee's report and requested to file a properly signed acceptance of same with the secretary of the bureau. I do not know how many companies adopted the new program and put it into effect on March 1, but I am informed that up to date 30 companies, reporting annually an aggregate volume of approximately \$57,000,000 in accident and health premiums, have filed signed copies of acceptance with the bureau and have signified their intention of adopting the program in its entirety. The subscribing companies which found it impossible on account of mechanical difficulties and other delays to make the program effective March 1 will, I believe, be operating in full accord with it by the time this paper is read. Further, it is expected that additional member companies which have had the acceptance of the program under consideration will within a reasonable time decide to adopt it in its entirety.

### New Program Regarded as Distinct Success

Considering the scope of the program and the many ramifications incident to the successful carrying out of same, most wonderful progress has been made. I can assure you that the good faith of the subscribing companies is not questioned, and I happen to know that many agents of many companies have expressed their approval of the program and have cooperated with the home offices in making it effective with the least possible confusion. Of course, a program such as this, which requires the printing of new policies and an entirely new set of supplies, is expensive for the companies and causes some confusion in the field where agents are furnished with a complete set of new supplies and requested to destroy the old supplies.

The program must be working satisfactorily, because I am informed that no complaints have been made to the bureau, and, so far as I know, no complaints have been received by individual

members of the underwriting committee. I say this to correct the impression which may exist in some quarters that the bureau program is not a success and that some of the subscribing companies are issuing policies which do not conform to the program and that many other companies are issuing great varieties of policies. If my opinion has any value, I am here to say that the bureau program is a distinct success, and it represents the most constructive work ever undertaken in this business at one time.

I do not think it is necessary for me to attempt to outline the conditions which made imperative the adoption of some changes in the business of commercial accident and health insurance. It is sufficient to say that during the past few years the underwriting results of all companies combined have been unfavorable. There are many reasons why the program should be adopted by all companies which desire to cooperate on a basis which will be to the advantage of the business as a whole through the pooling of statistics, the scientific rating of policies, and the exchange of underwriting ideas, all of which services are provided by the bureau.

### Elasticity of Proposals Is Strongly Emphasized

Perhaps the strongest reason why the bureau program should appeal to every company is its elasticity. Consider, please, that the bureau has furnished each member company with a set of six complete advisory policies. I may say that the advisory policies were prepared by a sub-committee on policy forms. These policies have been approved by the legal committee of the bureau. The sub-committee reviewed the policy forms of many companies, and the advisory policies include practically all of the coverages which appeared in the policy forms of more than four individual companies. The statistical committee of the bureau analyzed the coverages provided by the advisory policies and established units of insurance and premium charges therefor in the first four classifications on a scientific basis. The statistical committee was particularly fortunate in having available for this work the actual experience reported by, I think, ten bureau companies covering policy years 1925 to 1929 inclusive. The combined earned premiums reported to the bureau by

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## Lists New Laws



J. W. SCHERR, Inter-Ocean Casualty Chairman Legislative and Public Relations Committee

### New Rulings Reviewed by the Legal Committee

The report of the legal committee, submitted by E. St. Clair, North American Accident, chairman, took up in detail a recent ruling by Commissioner Fishback of Washington in regard to hospital clauses in accident and health policies, the application of which has seemed to be rather contradictory and the exact effect so far uncertain.

Reference was made to the action of certain southern cities in imposing a flat tax on insurance companies, regardless of the amount of business written, which in some cases amounts to more than the premiums received. Mr. St. Clair suggested that an effort should probably be made to have such taxes put on a percentage rather than a flat basis.

Mr. St. Clair also spoke of the tendency of some courts to read out of the policy the confining illness provision, thus making it wide open in that respect, and held that the only remedy is an increase in rates in such states.

In that connection Paul Clement of the Minnesota Commercial Men's called attention to the recent refusal of the Minnesota department to approve policies containing the wording, "while violating any law." The department has indicated, however, that reference to "commission of a crime" or "commission of a felony" would be satisfactory.

## MacEwen Reviews Past Year's Work

Insurance Has Stood Firm in Time of Stress, Conference President Declares

### ACCOMPLISHMENTS TOLD

Conference with Commissioners and Efforts Toward Uniformity Listed as Outstanding Events

The accomplishments of the conference and some of the important developments in accident and health insurance generally the past year were reviewed by President D. C. MacEwen, Pacific Mutual Life, in his annual address.

"The history of the conference, extending over 31 years, undoubtedly does not contain a period of time quite similar to that of the last 12 months," he said. "The radical change in economic conditions has affected every line of business and has put insurance to a severe test, but in the crucible of business distress, insurance stands out as one of the most stabilizing influences in the life of the American people. Nothing has given insurance the esteem and prestige in the mind of the public as has its stability during our present period of deflation and readjustment."

### Two Million People Paid for Disability Each Year

"I take particular pride, more so perhaps at this time than heretofore, at being identified with the business of accident and health insurance, the function of which has never been so apparent or manifest as during these times of distress. As a presiding officer of a group of over 90 such companies with a premium income in excess of \$85,000,000 it is gratifying to realize that we in the accident and health business are contributing our share toward the lessening of worry and sorrow caused by accidents and illnesses under these devastating financial and economic conditions."

He pointed to the fact that last year in the United States over \$135,000,000 was distributed by accident and health companies in payment of claims. This does not include payments by life companies for disability benefits, thousands of smaller payments made by various employees' benefit associations and a huge sum paid under workmen's compensation insurance. A conservative estimate would place the number of persons receiving payments for all forms of accident and health benefits in this country in a year at over 2,000,000, Mr. MacEwen said.

### Conference Cosmopolitan in Its Membership

"The conference is a very cosmopolitan insurance trade association," he continued, "being made up of all types of carriers and issuing through its members practically all forms of disability coverage. We have in our membership both stock and mutual companies—some, multiple line casualty companies and others, life companies with accident and health departments, as well as companies confining their operations to accident and health insurance only. Through our members we write all forms of commercial accident and health insurance, including non-cancellable, and all forms of industrial coverage designed primarily for the wage earners who pay their premiums either monthly or weekly. In addition, many special forms of contracts are issued, such as automobile

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## Ives, Webb and MacEwen Speak At Opening Session Tuesday

Members of the Health & Accident Underwriters Conference were on hand in full force for the opening session Tuesday morning, which was marked by an unusually large attendance. There were fewer late comers than usual and the room was well filled when President D. C. MacEwen, Pacific Mutual Life, opened the session.

Walter E. Webb, executive vice-president National Life, U. S. A., gave the address of welcome. He pointed out that the insurance business is not alone in having to make readjustments today, and said that the average man can find comfort in the fact that the so-called supermen have shown themselves no more effective in the crisis than others, and the experts have all been wrong, indicating that the only thing for each man to do is to go ahead and solve his own problems as best he may. He sug-

gested that instead of trying to look too far ahead, the best thing to do is to give the best that there is in one to the task immediately ahead, which probably will go far in bringing about a solution of the greater problems of the day.

Henry Swift Ives, special counsel Association of Casualty & Surety Executives, speaking on "The Santa Claus Idea of Government," attacked the tendency toward socialistic panaceas that is very much in evidence today and the "hallucination that something may be obtained for nothing through the magic hocus-pocus of government." He took as his text a newspaper clipping reciting the platform of a Democratic candidate for the United States Senate in Missouri, who proposes to have the government guarantee an income to every citizen.

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# How Can Life Clauses Be Replaced?

## Year Elimination on Non-Can Urged

Should Start Where Ordinary Policy Stops, Hoffman Tells Conference

### DEMARCATON PROPOSED

American Bankers Official Suggests Limiting Each Form of Policy to Specific Field

In discussing the subject "What has accident and health insurance to offer to life policyholders in the place of disability benefits?" J. W. Hoffman, vice-president and agency director, American Bankers, suggested that the things to be considered are: "What were life insurance companies offering to their policyholders in the way of disability benefits and why were they a failure, and how far should we go in offering a substitute?"

"Until 1929 the history of the disability provision was one of continual broadening and development along more liberal lines," he said. "The desire of the companies to obtain sales advantage, as well as to serve the insuring public and to increase the attractiveness of their life insurance contracts, led to a competitive race for improvement in the disability provisions."

"Up until 1921 the disability clauses provided that benefits would be payable only if disability were both total and permanent. In 1921 a new clause appeared providing that total disability which continued for three months would be presumed to be permanent and the monthly income and premium waiver would then commence. With this change, the disability coverage became somewhat similar to that under non-cancellable accident and health insurance with a three months' waiting period."

### Were Unable to Appraise Certain Factors Correctly

"The life insurance companies, in entering many years ago into the experimental disability income insurance field, were unable to appraise correctly certain factors which experience later showed in their true light. Women for example, were insured at standard rates, although subsequently it was discovered that the rate of disability among women is at least double that among men. Persons in certain unfavorable occupations were granted standard disability insurance in the absence of the correct information regarding the risk, which was later obtained. Not infrequently, policyholders of the larger companies were permitted to purchase disability income insurance in such large amounts that, in case of disability, the resulting income was nearly as large as the policyholder's earned income while in good health. In theory, this amount of coverage seemed fair to the policyholder who needed the protection; but for the reasons stated hereafter, increased disability claims resulted."

"In recent years there have been some unforeseen causes of increase in the level of disability claim rates which are beyond the control of companies."

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## Life Insurance Disability and Substitutes Discussed

The round table discussion on "What has accident and health insurance to offer life policyholders in place of disability benefits?" was introduced by O. B. Hartley, Great Western, who reviewed the conditions that caused the life companies to drop or modify their disability coverage, listed the points of advantage of the two forms and warned the companies against making promises that they might be unable to fulfill.

L. D. Cavanaugh, Federal Life, also discussed the life companies' experience and said that the waiver of premium met a real need but the life income was introduced merely as a sales feature. He declared that many risks were assumed for what was really non-cancellable insurance that should not have been accepted and that earnings were not considered, resulting in many cases of over-insurance. Although the non-cancellable form is an attractive one from the standpoint of the buyer, he said it is difficult for a company to protect itself under that form against unjust claims and the payment of excessive indemnities.

### Hoffman Would Make Two Forms Supplemental

J. W. Hoffman, American Bankers, said the accident and health companies are up against a stiff proposition in offering the ordinary commercial policy as a substitute for disability. He said he hesitated about trying to get life men to write accident and health insurance, as they expect too much and are inclined to fight for their policyholders. He also expressed doubts as to whether the present "non-can" rates will be adequate five years hence and said the trouble is that "non-can" and ordinary accident and health policies are trying to cover the same field. His solution was to limit the indemnity under the regular commercial policy to one year, at least for health, and then offer a "non-can" policy which would not start paying until after the first year.

J. M. Powell, Loyal Protective, said that life companies had been in the habit of accepting as standard risks those that might be expected to show an extra mortality as high as 25 per-

### Round Table Head



W. T. GRANT  
Business Men's Assurance

cent, but that many of these risks would show a disability rate four or five times normal, instead of 25 percent above. The companies accepted almost any risks for disability that they would take for life insurance. He quoted figures from the Bureau of Personal Accident & Health Underwriters to show the danger of large indemnities.

He said the advantage of medical examination was in favor of the life companies and that accident and health companies can't assume that they are familiar with all the faults of life disability. He said that writing disability for life is an ideal to shoot at, but the company that does it without proper safeguards is taking a big chance.

Sam C. Carroll, Mutual Benefit Health & Accident, second vice-president of the conference, presided at this session and the one dealing with the quarterly premium companies' plan.

## Legislative Trends Are Reviewed

The report of the legislative and public relations committee, presented by J. W. Scherr of the Inter-Ocean Casualty, chairman, reviewed in considerable detail the measures presented to the legislatures that have convened this year. They have been comparatively few in number, as this is an "off year" for the legislatures, and very few new laws affecting accident and health insurance have been adopted. He also reviewed some of the disquieting trends in legislation, giving particular attention to agents' qualification laws, the advisability of which in many cases he seriously questioned. He also referred to the numerous measures affecting the cancellation provisions in accident and health policies, stating that policyholders find it difficult to see why they should differ from life policies in that respect, and pointing out the need for educational work along that line.

Col. J. W. Blunt, Monarch Life, said that much more satisfactory results had been obtained toward working out the agents' examination problem in Massa-

chusetts and Connecticut than in Pennsylvania and some other states. He expressed the belief that a requirement of this kind is bound to come, that more and more states will adopt it and that the companies should prepare for it.

On the question of building good will, he declared that the accident and health companies will have to put more of the human touch into their relations with policyholders, and compared them with the life companies in that respect. The company's first contact with the policyholder is through the agent who obtains the business. When he gets his contract, if he ever reads it he probably finds that the agent has neglected to tell him about any of the bad points. In three months, assuming that the business is on the quarterly basis, he receives a premium notice, "and is there anything in the form of a due bill more impersonal than this premium notice?" Colonel Blunt asked. He referred in that connection to the fact that the Life Insurance Sales Research Bureau is

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## Must Be Able to Fulfill Promises

O. B. Hartley Finds Food for Thought in Life Companies' Disability Experience

### SOUNDS WARNING NOTE

Lists Factors That Make It Difficult for Accident-Health Carriers to Duplicate Life Company Contracts

In introducing the round table discussion on "What has accident and health insurance to offer life policyholders in place of disability benefits?" O. B. Hartley, vice-president and general manager of the Great Western, Des Moines, reviewed briefly the present situation in the total and permanent disability field, so far as life companies are concerned, pointed out those policy features offered by accident and health companies that are more advantageous to the insured than the disability coverage usually found in life companies' total and permanent disability contracts, and also those provisions of the usual total and permanent disability contracts of life companies that are superior to those offered by most accident and health companies in their present-day policies.

### Little Variance in Life Company Contracts

He referred to the fact that up to the latter part of February more than 50 life companies had completely discontinued the writing of monthly disability benefits, 14 others had not yet decided their future course, while six companies have from the beginning continuously refrained from entering this particular field, except for waiver of premium.

"In this period when public confidence is perhaps at its lowest ebb, probably no business is enjoying as nearly 100 percent of the public's confidence as is the institution of life insurance. All accident and health insurance companies should strive so to conduct their business as to merit the confidence of the insuring public to the same degree. No business can succeed where more is promised than can be performed, and if the action of life insurance companies relative to their monthly disability contracts is a frank recognition of this truth, then all of us, I am sure, will agree that this question is of the most vital concern to the accident and health business."

"Except for the non-cancellable and pay-for-life features of the usual disability contract, nearly all accident and health companies can offer the insuring public at a favorably comparable rate, better and more advantageous disability coverage. For instance, (1) an acceptable applicant can obtain an accident and health policy that will insure him against loss of time up to approximately 80 percent of his monthly earnings without the necessity of his carrying any life insurance; (2) he can obtain protection from loss of time through disability from injury or sickness so that benefits will be paid him from the first day of such disability instead of waiting until after 90 or more days for such

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## Some Disturbing Trends in Legislation Reviewed

The report of the legislative and public relations committee, presented by J. W. Scherr, Inter-Ocean Casualty, chairman, showed very few new laws enacted this year, as 1932 is an "off" year legislatively. After listing the various measures proposed, most of which failed of enactment, the committee took up some of the present day trends in insurance legislation.

"There has perhaps never been a time in the history of the insurance business when it was more necessary for company men to be alert in watching legislative activities," the report said. "The federal government, as well as every state, is considering ways and means of raising more revenue. The trend is unmistakably towards indirect taxation. During the past few years many states have sought to increase the tax burden of insurance, presumably on the grounds that the companies could pass the increase on to the policyholders in the shape of increased premiums. These laws have been proposed at times when the need for more revenue was less acute than at present, therefore we may count upon a flood of bills providing for increased taxes and fees during the next year when some 40 states will hold regular sessions.

### Organized Effort to Extend Qualification Laws

"It is quite evident that there continues to be an organized effort to extend agents' qualification laws to cover all of the states, despite the unsatisfactory operation of these laws in some of the states where such laws have been in operation for some time. The companies operating in Pennsylvania will recall the difficulty experienced in that state in obtaining agents' licenses immediately following the passage of the act. Health and accident agents applying for a license to represent a casualty company or a company classified as 'miscellaneous' were required to pass a rigid examination covering all casualty lines, while health and accident agents representing life insurance companies could qualify to write identically the same type of coverage by passing a less technical examination. The inconsistency of this kind of a law is obvious.

"It is reported in the press that the Pennsylvania Association of Insurance Agents has held, or is holding, a series of hearings upon a proposed agents' license law which would require all new agents entering the insurance business to start out as 'solicitors' under established agencies and to serve an apprenticeship of several years before being granted an agent's license. If such a law were passed without specifically exempting agents who propose to write health and accident insurance our business would undoubtedly suffer a very serious blow in that state.

### New Illinois Statute Called Discriminatory

"The agents' qualification law recently passed in Illinois appears to be discriminatory, to say the least. Health and accident agents desiring to represent an Illinois casualty company must comply with the new law, while agents who desire to sell health and accident insurance for a domestic life insurance company may do so without obtaining a license. Bills have been under consideration in other states to require agents of certain classes of companies to pass an examination, while agents of other insurers are exempt.

"The question which is perhaps in the minds of all of us is: Have we been guilty of employing agents who have been a detriment to our business to the extent that it is necessary for the state to step in and compel us to engage a different type of representative, and if

this is true will this kind of legislation solve the problem?

"The theory of agents' qualification laws may be sound, but in actual experience there are grave doubts whether any great benefit is to be derived through such laws. It cannot be denied that a most irresponsible or even crooked applicant for a license may be able to pass the most rigid examination, while an applicant of good character and average ability may fail to pass such a test.

### Should Affect All Agents, Irrespective of Type

"Whether we favor or oppose agents' qualification laws as applying to health and accident agents, we should use our influence in our home states, where such legislation is proposed, to see that the law is drafted so as to apply to every agent, irrespective of the type of insurance he expects to engage in. Also, that agents who apply for a license to sell health and accident insurance only, whether for a multiple line company, a life company, a mutual, a fraternal society, or a strictly health and accident company, should not be required to pass an examination covering any other branches of the insurance business, and that all health and accident agents be subject to the same requirements.

"The surest way to guard against increased paternalism is for the companies to use greater care in the selection of their representatives; to educate and supervise them, and above all to get rid of them promptly when it is apparent that they are unable or unwilling to live up to the company's standard of efficiency.

### Many Laws Proposed to Govern Policy Provisions

"There is a growing tendency on the part of legislators to pass laws governing policy provisions. These bills are usually the outgrowth of some misrepresentation or misunderstanding of a policy issued to the person introducing the bill, or to some of his constituents. Frequently they have their origin in some over-zealous insurance commissioner. The effort of such legislation is usually detrimental to the insuring public, as well as to the companies. The laws now in force are sufficient to guarantee every policyholder a square deal. Any attempt to further discourage the sale of disability insurance should be regarded as being against public policy.

"Proposals have become numerous of late to prevent the cancellation of health and accident policies after they have been in force for some given time. This type of bill is difficult to defeat, because a surprisingly large number of intelligent men cannot understand why a disability policy should differ in this respect from a life insurance policy. They argue that after a policyholder has paid for protection over a long period of years he should not be deprived of protection when he reaches an advanced age or when he becomes an impaired risk. This question is one which presents very grave difficulties and in the opinion of your committee the companies should lose no opportunity to educate their agents and policyholders on this point.

### Heavy Penalties Imposed for Failure to Settle

"Another type of legislation which is becoming quite popular, particularly in the southern states, is that in which heavy penalties and attorney fees are imposed for failure to settle health and accident claims within a limited time after proof of loss has been filed. Laws of this kind are calculated to place in the hand of unscrupulous lawyers a weapon which would be extremely

## Claim Speaker



H. S. DON CARLOS, Travelers  
President International Claim Association

## New "Lie Detector" May Aid in Checking Malingerers

Great interest was taken in the demonstration of the "lie detector" given Wednesday afternoon by Dr. Leonarde Keeler of the Scientific Crime Detection Laboratory, affiliated with Northwestern University, with Sam C. Carroll of the Mutual Benefit Health & Accident as the subject. Preceding the demonstration, Dr. Keeler, who is the inventor of the instrument, told of the early use by the Hindus and Chinese of some of psychological and physiological reactions which form the basis for the "lie detector," recounting also some of the early experiments which led to its development and some of the cases in which it had been used with success, referring also to the possibilities of its use in detecting malingerers.

## Mrs. O. F. Davis Dies Suddenly

A touch of sadness was given to the first day's meeting as a result of the word received that day of the sudden death at Springfield, Ill., Sunday of Mrs. O. F. Davis, wife of the assistant agency director of the Abraham Lincoln Life. Mrs. Davis was a very attractive young woman and had attended some of the previous conference meetings. Her husband was on the program for this session, but his place was taken by F. M. Feffer of the same company.

## Rolph Proclamation Read

The proclamation of Governor Rolph of California, making this week Accident and Health Week in that state, and referring to the fact that the conference was in session in Chicago this week, was read at the session Wednesday morning. It was sent to Harold R. Gordon, executive secretary, by W. E. Lebby, president of the Accident & Health Manager Club of Los Angeles.

dangerous to the claimants as well as the companies."

On the public relations side, reference was made to the request to insurance commissioners that proposed rulings affecting accident and health insurance be submitted before they were actually put in force. In spite of promises of cooperation by the commissioners, the committee states that while numerous rulings have been made, "there is no record of a single proposed ruling having been submitted."

## Don Carlos Gives Claim Viewpoint

International Claim Association  
Head Lists Three Underwriting Divisions

## AGENT PRIMARY FACTOR

Claimants Listed in Three Classes—  
General Moral Standard Not Lowered by Depression

H. S. Don Carlos, associate chief adjuster of the Travelers and president of the International Claim Association, speaking on "Underwriters' Chickens," said that title was intended as an abbreviation of "Underwriters' chickens come home to roost in the claim department." "From the claim man's point of view," he said, "the underwriting of a company is divided, like all Gaul, into three parts: (1) The policy coverage and wording; (2) the agents' selection of risks, and (3) passing on submitted risks.

"Claim men look forward to the day when competition in policy coverage and phraseology comes to an end, and the success of the companies is made to depend upon selection of risks and claim service. The motto should be the advice Anneke Van Horn gave to her son Jan: 'Give your word sparingly. Promise less than you can do, but never do less than you promise.'

## Agents' Selection of Risks of Outstanding Importance

"The second division of a company's underwriting is of outstanding importance in the claim man's mind—the agents' selection of risks. So-called efficiency methods and eagerness for acquisition of volume of business seem to have blinded many to the simple fact that probably 50 percent of a company's underwriting and claim work, and of the very success of the company itself, is determined by the kind of agents who select and submit the applicants for its policies. It does not matter so much by what expression one tries to convey this message. It may be 'kind begets kind,' or 'birds of a feather flock together.' The truth is there, and is admitted in the heart of every intelligent insurance man of any experience. When will we have the sagacity to stop welcoming into our agency ranks the man who uses application blanks as no more than registration forms to record the necessary data for issue, and has as his motto, 'Let the company find out if it can?' How much longer will we give an agency franchise to the ex-agent of a company which has discharged him for cause, and expect him to change his spots in his new environment? They may be few, but they are enough.

## Home Office Underwriting Generally Satisfactory

"What a joy it would be to underwrite and to pay claims, if agency representation were limited to those thousands of fine, conscientious and truly underwriting agents who, with their splendid policyholders, are the bright spots in your work and mine.

"The third division of a company's underwriting, passing upon the risks submitted, cannot be charged with very much of the responsibility for current high loss ratios, in the claim man's opinion. When in the midst of some troublesome claims, the adjuster can see from easy hindsight that the company should not have issued those few policies. But he realizes that for each such



risk there are thousands of well-selected, profitable risks put on the books by the underwriters' good judgment and intuition, and that practically all undesirable risks have been rejected. In fact, we might even admit that this division of the companies' underwriting has been as good as though we had done it ourselves.

"Several of you have assured me that the biggest problem confronting health and accident insurance underwriters today is the question of over-insurance, with the earnings of many policyholders reduced below the weekly indemnities they can collect under their policies, and the serious moral tendency to malingering. Some say there is an increased moral hazard and that the moral and mental standards of the public have slipped a few notches—all due to the depression. I cannot agree with these conclusions. In the first place, it appears to be generally conceded today that Allport is correct in his statement that the so-called psychology of the mass is no more nor less than the sum total of the mental and moral attitudes of the individuals composing it. You and I have the proof of this before us constantly. We know that many policyholders are earning less than their policies would pay them and yet they are not claiming they are disabled. Also, there are many prolonged disabilities due to nervous breakdowns and other conditions, largely contributed to by worry incident to loss of capital or earning power or both, where the patient has no insurance income at all.

#### Weakness Not Revealed Until the Strain Came

"Getting down to the individual risk whose feigned disability really is due to the fact that his insurance income is greater than his earned income, you will find either that he is just plain crooked, or, to, paraphrase W. B. Pitkin, he is just a sappy soul who sighs for inspiration, in the hope of being kicked upstairs—that is to say, an unfortunate soul whose defense complex is to avoid rather than to meet and overcome his difficulties. In either case, careful inquiry will develop the fact that he has always been that way. The depression has not changed him. You just did not know his weakness until the strain came.

"Could you have learned these facts about him and so declined the risk? The crook has his earmarks and so seldom gets past your underwriting tests that we may as well confine the question to the weakling who retreats to his insurance income. Yes, you probably could if you spent from \$100 to \$200 per application for examinations by psychiatrists and other specialists. Otherwise,

no—as a restudy of the underwriting information in these claims will prove. You are to be congratulated upon the increased study and care you are now devoting to overcoming this situation by cooperating to keep the insurance income of the risk in all companies within a reasonable proportion to his current earnings. Whether you will finally require for each renewal a policyholder's statement of his present earned income and his total insurance indemnity under life, accident and health policies, I do not know, but it is something to think about.

#### True Psycho-Neurosis Case Special Problem

"The above remarks do not apply to the claimant who has an honest disability due to a true psycho-neurosis from overwork and worry. In his case, the claim man finds the business depression operating in one or both of two ways: First, the change in his business and perhaps in his social status, due to reduced income and capital, may be a sufficient cause for his breakdown and disability; second, his attending physician may very wisely advise a longer rest from work if the disability income from the insurance company approximates the earned income. Here the claim man must modify his test whether the man would return to work if he had no insurance income. This brings to mind also an underwriting rule advised by psychiatrists—that is, never to issue or to renew accident or health insurance on a risk once disabled by a psycho-neurosis. We are told such cases are never cured. The symptoms may be removed but that is only temporary. Basically and fundamentally, the risk is unstable. The next time his personal or business affairs are upset he will manifest some or all of the symptoms again.

#### Question How Far Agents Should Handle Claims

"Obviously, the claim man must first determine to which of the above classes the claimant belongs. An examination by a competent specialist may be necessary, but there must always be a rigid lay investigation. If he is a crook, the prescription is an iron hand; if a sappy soul, prayers; if a genuine disability, patience, cooperation and understanding. "Apparently the question of how far and when the agent should handle claims is bothering several of you. It depends so much upon the separate field claim equipment, if any, of the company, the type of agent, and the varying amount and kinds of investigation required in the claims, that it is impossible to subject it to rule. It does

seem, however, that the tendency should be to relieve the agent of this responsibility and allow him to devote himself entirely to selling insurance and, in these times, trying to keep some of his business in force. This move has been resisted by many agents who have later praised the change upon finding that the claim man is dependable, courteous and fair. It has proved to be a relief not to have to serve two masters.

"One of you has stated frankly that the agents in their zeal to give that company a reputation for prompt payment of claims are inclined to be extremely careless in making settlements. Another says it is often a problem to sell the agent on the settlement that is made. I can understand the first statement, but not the second. If the settlement is in accord with complete and accurate claim facts, it will sell itself to any agent, other than one whose opinion is of no value.

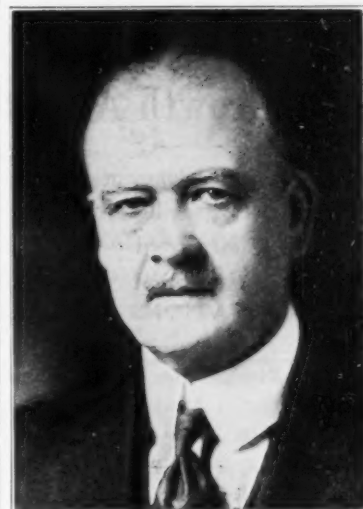
"Several independent adjusting organizations have now been developed. Inquiry will soon show whether such an agency in a given locality will serve your company's needs and be as considerate of the policyholders and agents as you wish.

#### Uniform Claim Blanks Are Greatly Needed

"Some of you have inquired concerning uniform claim blanks. There probably is no phase of present day insurance work so antiquated and unsuited to the business as it is conducted these days as are the claim blanks of many companies. Except for the procedure used in collecting premiums, the claim blanks are the principal medium of direct contact between the company and the public, from which the public gains its impression of the business policies and administration of an insurance company's affairs and its consideration of the public to which it is indebted for its very existence. It is important, therefore, that these blanks be as brief as is consistent with the protection of the company's interests and the gaining of only that information which is essential to the settlement of the claim and proper statistical records; that there be no unnecessary duplication of information required from the various people who complete the blanks; and that no one completing all these blanks be put to any unnecessary trouble or expense in furnishing the claim information to the company.

"The suicide claim under an accident contract is a very troublesome thing, of course. Early and complete investigation, followed by a frank discussion with the interested parties and the use of sound judgment in effecting a settlement consistent with the dangers of each par-

#### Veteran Honored for Service to Conference



A. E. FORREST

One of the highlights of the closing session was the presentation of a handsome silver loving cup to A. E. Forrest, president of the North American Accident, Nestor of the conference and one of its founders, who has seen more than 40 years of service in the accident and health field. The presentation was made by T. Leigh Thompson, National Life & Accident, who paid high tribute to Mr. Forrest and other pioneers in the old Detroit Conference, practically all of whom have now passed on.

ticular claim, is about all that can be done.

"So much for the chickens in our roost. The claim department is doing its best with them. It is for the underwriter to see them through the adjuster's eyes and to take advantage of his judgment in reunderwriting the risk at the time of claim. Occasionally an underwriter fails to do this and continues on a risk with the mistaken idea that the adjuster's adverse report is prompted by prejudice. Almost invariably the adjuster's judgment is corroborated later on. There is nothing immodest about this statement. He has made the acquaintance of the risk and has had a splendid opportunity to judge of him in his environment. So, of course, his judgment is better than that of one who has never seen the risk."

## THE HOOSIER CASUALTY COMPANY

INDIANAPOLIS, INDIANA

An Indiana Company and a Stock Company Writing

ALL COVERAGES ON AUTOMOBILES AT LIBERAL PREMIUM RATES

Also

ALL FORMS OF HEALTH AND ACCIDENT INSURANCE

CAPITAL \$150,000.00

ASSETS \$588,165.00

GOOD CONTRACTS TO REAL PRODUCERS

# Future of Monthly Premium Bright

## Rogers Sees Era of Growth Ahead

History of Development of This Branch of Disability Business Reviewed

### NO INNOVATIONS NEEDED

Value of Earnings Has Taken on New Meaning to Average Man in Past Three Years

An optimistic view of the future of monthly premium business, based on a review of past developments, was expressed by P. H. Rogers of the Massachusetts Bonding.

"Monthly premium business has, over a long period of years, taken on certain definite characteristics," Mr. Rogers said. "The companies, their agents and the public have learned to regard the monthly premium accident and health business as filling a definite niche. While the policies have become very broad and satisfactory in their coverage and while much business of the monthly premium type is now sold to the select and preferred classes, it is still true that the bulk of the business is written among the higher classifications, and because the monthly premium business has met a particular need among those classes, we must have further expansion among the classifications of insureds where the business has formerly had its growth.

### Eras When Business Has Had Greatest Growth

"Let us consider the various eras in which monthly premium business has had its most successful growth. For several years following 1910 the companies that were at that time developing monthly premium business had a remarkable growth. That was a period of low wages; the average workingman worked long and hard for his dollar or two per day. Savings were difficult to accumulate, people were of a thrifty prudent turn of mind and accident and sickness protection appealed to them. A good grade of agents became interested in the business and were attracted by the earnings which, in those days, seemed lucrative. The agent prospered and the company's business expanded.

"The era of prosperity that began in this country following the start of the world war found the companies with strong field organizations and as the average man's earnings increased, the size of policies increased and premium volume grew. This situation continued with marked success in the expansion of business during the 'silk shirt' era immediately following the war.

### Entirely Different Situation Since 1920

"The situation took on an entirely different complexion beginning with the first reaction in 1920. Up to that time average earnings had been high and money had been spent freely for insurance, as for everything else, but the first check in the prosperity program made the writing of business more difficult, the earnings from the standpoint of the agent became less attractive and premium volume suffered. The tremendous prosperity of the country up to

(CONTINUED ON PAGE 13)

## Experience in Monthly Premium Field Reviewed

In introducing the round table discussion on "What is the future of the monthly premium industrial business?" a paper prepared by O. F. Davis, assistant agency director Abraham Lincoln Life, was read by F. M. Feffer, vice-president of that company.

"Probably we can take for granted that most of the companies represented here issue some form of monthly premium policy. It can also perhaps be safely assumed that a great many of us are not very successful in securing a satisfactory volume and a favorable experience," he said.

"We in the accident and health business who operate in the monthly premium field fall heir to problems very much kindred to those of the industrial insurers. Our interests are much in common, since we both strive to serve that large portion of the people who because of their occupational and financial status are unable to secure and pay for the more liberal and incidentally more expensive forms of commercial protection.

"It is probably common belief and a certainty to come to us that the so-called margin between income and outgo has narrowed to the point of where it has almost if not completely disappeared.

### Business to Survive and Serve Must Profit

"A large portion of our population are eligible for and interested in protecting their time through the means of accident and health insurance but are unable to acquire at one time or accumulate the amount of premium necessary to pay for this protection on an annual or even a semi-annual or quarterly premium plan. This condition was as true during the past years of extreme general prosperity as it is today in this 'period of economic dislocation,' which period might be better described perhaps as a 'compound fracture.' Are those of us in this business to deny these people our coverage which we deem so essential to their economic and social welfare because of inadequacy on our

part? True we can provide monthly premium accident and health insurance and do, but are we providing it in a manner that will be attractive to those persons who have newly become prospects for this type of coverage, as well as for those who have always depended upon it for protection? A business to survive and properly serve must profit. Is the monthly premium accident and health business now profitable to the majority of carriers, if not what can and must we do to make it so?

"Assuming that our problems are somewhat similar to those of the industrial carriers and in an attempt to secure the matured experience and opinions of these carriers as well as those who have successfully majored in the monthly business, a questionnaire was addressed to some 33 companies, among which were members and non-members of the conference. The following experience is that of 26 of the companies majoring in or at least writing monthly premium business.

### Variation in Methods of Collecting Premiums

"The total monthly premium volume involved in these 26 companies totaled over \$11,000,000 in 1931, which would give an average premium income per company on this type of business of approximately \$425,000. The companies involved had premium incomes on monthly premium business ranging from \$12,000 to \$2,000,000. From these figures we can safely assume that we have not only secured a varied experience but one that may be of value to all companies which operate in this field, irrespective of size.

"Of the \$11,000,000 of premiums involved approximately 6 percent of the total was directly collected by the home offices of the various companies, approximately 34 percent was collected through direct agents, those agents directly contracted and supervised from the home office. The balance or 60 percent of the total was collected through general agency and branch offices. A

(CONTINUED ON PAGE 10)

## Protection Need Is Brought Home

Business Has Always Had Greatest Expansion When Thrift Idea Emphasized

### BUDGET PLAN BIG HELP

Withdrawal of Employee Welfare Plans Also Expected to Cause Trend to Personal Protection

Decidedly optimistic views as to the future of monthly premium accident and health insurance were expressed by all the speakers who participated in the round table discussion on that subject, based on the idea that present day conditions have brought home to the wage worker and salaried man as never before the necessity for providing adequate protection for the future.

The discussion was opened with a comprehensive review of the practices of monthly premium companies along various lines, intended as a basis for discussion of possible changes that may be needed. It was prepared by O. F. Davis of the Abraham Lincoln Life, who was unable to be present on account of the sudden death of his wife this week, and was read by F. M. Feffer of that company.

P. H. Rogers of the Massachusetts Bonding, reviewed the history of this branch of the business and gave reasons for his belief that a period of great growth is just ahead. He said that no innovations are needed, and that present policies and methods are adequate to care for the situation.

### Employee Welfare Measures Likely to Be Abandoned

John Patterson, Midland Casualty, listed as among the causes which should favor the monthly premium business in the near future the probable curtailment if not abandonment, on account of the stress of financial stringency, of such welfare plans as group insurance, pensions, free medical care, sometimes extending to the whole family, and other measures adopted for the purpose of stabilizing employment and improving employee morale.

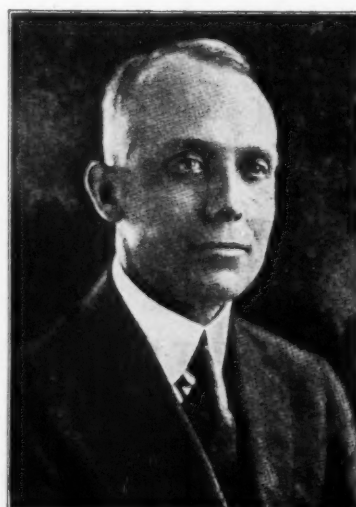
"These perquisites to the job were largely in the nature of disability protection," he said, "and without them the individual would have protected himself with personal insurance, and most likely would have taken the kind he could pay for by the month. Now, with employment gone, these things are also gone and the individual finds himself without protection and dependent on public relief or charity.

### Quotes From Address Given at 1921 Meeting

"Will then the American working man or woman, the average private individual, be in the position after the reconstruction period of having employment without the employees' welfare advantages, the job without the perquisites, and be thrown back upon the necessity to individually plan and put into effect personal measures for protection and care of self and provision for the future? Personally, I believe there will be a great trend in this direction, and I see nothing better or more adequately

(CONTINUED ON PAGE 12)

## Monthly Premium Speakers



JOHN PATTERSON  
Midland Casualty



P. H. ROGERS  
Massachusetts Bonding



## Progress Reported Toward Uniformity

W. T. Grant Tells of Results Obtained by Quality Premium Companies

### PLAN IS WELL RECEIVED

Several of Conferees Have Already Adopted Proposed Program in Full, Others in Part

A report on what has been accomplished toward uniform phraseology and standard underwriting practices by the quarterly premium companies was made by W. T. Grant, Business Men's Assurance.

"When we reached the crest of the wave of high prosperity in 1929 and business began its downward trend, those of us engaged in accident and health insurance found ourselves confronted with new problems to meet and solve," he said. Things had been going along pretty well in our business during the preceding years. Incomes were gradually growing larger and property values higher. It was perhaps inevitable that we had become somewhat overconfident of our ability to successfully conduct our business, regardless of the experience or the example of others.

"When property values began to fall, incomes to diminish, and employment give way to unemployment, it began to dawn upon us that we could not ignore the common experience in the business, whether it be with regard to premium rates, underwriting practices, policy provisions, or otherwise.

#### Matter First Brought Up at Pittsburgh Meeting

"It so happened that a group of companies doing business of similar nature were represented at the American Life Convention at its 1931 meeting in Pittsburgh. Personal contact between the officers of these companies disclosed the fact that they were all eager to discover and adopt some method that would improve their general situation. A meeting was suggested and arranged, at which there were representatives of five companies present. Those companies were engaged in what is commonly known as the 'quarterly payment accident and health business,' the policies being especially devised to meet the needs of business and professional men.

"The interest manifested at that meeting was so great that it was decided to call a second one in Chicago some two weeks later. Certain other companies, not represented at Pittsburgh but transacting a similar business, were notified of the Chicago meeting and invited to be represented. There was at no time any thought of either limiting the attendance to companies who were members of the Health & Accident Underwriters' Conference nor of excluding any conference company. The invitations were based solely on the character of the business transacted. We acted upon the theory that the purpose we hoped to accomplish could best be attained by working in the beginning with a comparatively small group, and including only those whose business was of similar character.

#### Work Done by Bureau Presented by Rogers

"Great benefit was derived by the presence of P. H. Rogers of the Massachusetts Bonding. Mr. Rogers had served as a member of the committee of the Bureau of Accident & Health Underwriters that had recently com-

pleted a long drawn out job of working out standard phraseology and underwriting rules for recommendation to all members of the bureau. It is worth while in passing to remark that since that date recommendations of the bureau committee have been adopted, and practically all bureau members are using standard language and coverage recommended in their committee report. Beyond doubt the fact that the bureau companies including, as they do, the oldest and largest casualty companies of this country, had found it desirable, or perhaps even necessary, to cooperate in such manner and benefit by their common experience, had a big influence upon those of us who were present at the Chicago meeting.

"The greater part of the time during that session was devoted to ascertaining underwriting practices of the different companies and disclosing the differences in phraseology and policy forms where the same identical coverage was intended to be afforded.

#### Ten Companies Represented at Des Moines Conference

"The close of that meeting found our task still incomplete, so another one was set to be held in Des Moines two weeks later. Some of those present at the Chicago meeting suggested the names of other companies which they believed would also be interested in the movement, and it was decided to invite such companies to the Des Moines conference. As the result there were ten companies represented at Des Moines, with about 25 of their executive officers in attendance.

"There is no good reason why we should leave the inference to any degree that these rules and practices are or should be limited to companies operating on the quarterly premium plan. It was perhaps a coincidence that those of us who were instrumental in beginning the movement happened to be identified with companies who have specialized in that particular form of disability coverage.

"The following companies were represented at the Des Moines meeting: Abraham Lincoln, American Bankers, Business Men's Assurance, Federal Life, Fidelity Health & Accident, Great Northern Life, Great Western, Interstate Business Men's Accident, Mutual Benefit Health & Accident, National Travelers Casualty.

#### Report Made on Results Obtained Up to Date

"The Des Moines agreement provided that all companies subscribing thereto would have until July 1 to adopt either in full or part all of the agreements reached. Any report made at this time must, therefore, be regarded as incomplete, since there is still approximately one month left in which companies not having put in to practice the entire program may still do so within the time agreed upon. As to just what has been done toward the adoption of all of the agreements reached at the Des Moines meeting, I am able to report to this extent:

"1. Five of the ten companies represented at that meeting have adopted the program in full. In addition the International Travelers Assurance and the Indiana Travelers Assurance, neither of which were represented at the Des Moines meeting, have announced their complete adoption of all of the Des Moines agreements.

"2. Of the remaining five companies, one reports hearty accord of the entire program and intention to adopt as rapidly as their present policy forms become exhausted. Another reports having adopted Agreements 2, 3, 4, and 5. Another reports having adopted all except Agreement 5 and expects to have adopted it not later than July 1. The remaining two had made no report up to the time this statement is being made.

"I am glad to be able to report that the Business Men's Assurance adopted the program in full. All of the agreements affecting policy provisions or phraseology were incorporated in poli-

(CONTINUED ON PAGE 13)

## What "All-Ways" Means

Every day more and more of the thousands of B. M. A. policyholders are learning the real interpretation of the word "All-Ways." They find it has a significance never before fully recognized.

When a B. M. A. salesman sold Abraham Lerner of Detroit, Michigan, an "All-Ways" policy in 1927, Mr. Lerner liked the idea of having his Life, Accident and Health protection all in one contract.

But never did he truly appreciate what "All-Ways" meant until he became disabled by Arterio Sclerosis in January, 1928. Then he found it meant a steady income for himself and his dependents, without in any way affecting the life insurance he had provided.

For his disability he received ..... \$5,606.66

(\$200.00 a month for confining sickness — \$100.00 a month for non-confining sickness)

At his death in February, 1932, his family received under the Life feature of his policy ..... 1,898.00

Total ..... \$7,504.66

Had his disability been caused by accident, the policy would have protected him the same way.

"It Pays All-Ways"

**BUSINESS MEN'S ASSURANCE  
COMPANY**

**Kansas City, Missouri**

# Lapsation—How Can It Be Checked?

## Merit Rating As Lapse Cure Urged

Encouraging Persistency and Desirability Essential, E. C. Budlong Says

### WOULD STOP THE LEAKS

If New Business Is Profitable, Old Business Should Be Much More So, He Contends

In discussing lapsation and its prevention, E. C. Budlong, Federal Life, contended that the best way to promote persistency of business of the more desirable class would be through some form of merit rating.

"Lapses, like the poor," he said, "are always with us—so there is nothing to be gained by blaming the current depression for more than a small percentage of lapses, because it has been a serious problem since 1868, when the first accident policy was sold. This matter frequently has been discussed with little constructive action. We accept the lapse situation as an incurable evil and spend our time and money getting new business.

"It would be interesting to know the percentage of first-year claims, first year acquisition cost and compare these figures with the percentages on business which has been in force for five years.

### Why Bother About Leaks if Tank Is Kept Filled?

"Last summer I played golf with two officials of a conference company. It was a hot day and a water tank near the ninth hole was as popular as the traditional nineteenth hole. Twice during the game a wagon with a barrel of water refilled the tank. There were several leaks in the tank and as much water was running out on the ground as into the tin cups furnished for drinking purposes.

"Water is cheap. Why bother about leaks—as long as the man with the wagon keeps the tank full? Do we feel the same way about lapses, as long as a gain in premium volume is shown? Why not stop the leaks? If new business can result in a profit how much more profitable old business should be?

### High Pressure Selling Encourages Early Claims

"High pressure selling has a tendency to make the prospect feel abused if he escapes an automobile accident or a ruptured appendix within a year. Is it any wonder that such a large percentage of men and women whose applications indicate no history of previous disabilities are lucky enough to develop serious chronic diseases during the fire year? You remember that oft quoted phrase of Dr. Dingman of the Continental Casualty that if we could keep sick people from getting insurance and well people from making claims there might be a reasonable profit in our business—but we still go after them, giving the new policyholder everything from the start, and as a consequence they come in with a few dollars and out they go with five times as much. 'Hit and run' is the motto and some other company repeats the transaction next year.

(CONTINUED ON NEXT PAGE)

## What Is the Best Way to Conserve Business?

By LEE R. AITCHISON  
Mutual Benefit Health & Accident

For years we have all heard the ever-constant cries of "Get new business," "Greater production," "More applications." "Make your quota" and so on, without ever a thought to the cost of the lapsed old policy. How many of us have ever stopped to realize or to compute the cost of a new policy in comparison to the loss of an old one?

From every first payment on an application the sub-agent's commission, the general agent's overwriting, the home office expense, and the premium reserve must be deducted. We believe that few companies realize a net gain to themselves by the time the policy has been underwritten and placed in the hands of the applicant. Some may claim so; we believe to the contrary, that the issuance of new business shows a considerable loss to all companies.

### Claim Ratio Greater in the First Quarter

Experience in our own company shows us that our claim ratio is astoundingly greater on the first quarter of new business than that on the second, third, fourth and ensuing quarters in proportion. Next we find that on our renewed or reinstated business the cost of overhead is greatly reduced—only a small collection fee, and just an equal reserve set aside.

Our statistical department has, by diligent effort, determined that it takes from two to three new policies that renew the second quarter to offset the lapse of one old policy. In other words, for every policy that lapses a minimum of two new policies must be written. What price lapses?

From a company's selfish standpoint, that alone should answer "why conservation?"

It is positive proof that new business is not the salvation of health and accident organizations during this period of economic stress through which we are passing. Our hopes lie in the conserving of the old business written—both old and as well the new.

### Commendable Effort to Keep Insurance in Force

From the standpoint of the insured, our endeavor to keep him insured is a commendable effort, for no man ever lived long enough to be glad he failed to keep a policy in force. How many times have you heard of, and how many cases do you personally know of, where just one more payment would have been all that was needed for him to have kept the former standard of living, kept debt and charitable aid from the door, and assured all of the necessities of life, and in case of death, secured the independence of those who looked to him for that support and those necessities.

First of all, to effect a cure for lapses, we must locate the cause of them. Out of some 8,000 lapses over a period of time in some 50 different agencies, we found the following the most outstanding reasons for the lapsation ratio which we were experiencing: (1) Lack of funds, unemployment, unable to raise money, etc. (and probably increased due to the present economic strife); (2) cost of premium too high, would continue if a smaller policy could be arranged. (This condition is often due to the over-zealousness of the agent in enthralling a prospect to take a larger policy than his income should warrant); (3) no reason given, nor could a reply

be obtained; (4) policyholder, without stating why, refused to pay; (5) chronic delinquent; (6) failure of agent to contact; (7) unable to locate; (8) dissatisfaction with company's service. This includes dissatisfaction with general agent, sub-agent, local office personnel, claim handling, etc.; (9) other miscellaneous causes.

### Difficult to Stop Lapsation of Policy

It is oftentimes a hard thing to convince a person of the necessity of keeping a policy in force, as it is much more difficult to prevail upon him to make another installment upon his insurance policy than on some tangible article, because in lapsing he still has the policy and he feels no particular loss or embarrassment, as he would in case his radio, automobile, or electric icebox were repossessed for failure to pay an installment, and he would feel chagrined if the van backed up to the door and his neighbors saw the article taken away, but far worse damage is done when the value of his insurance policy goes out the door on the wings of a non-payment of premium.

Service is vital to conservation because without that service which creates good will, creates an obligation on the policyholder's part, our appreciation of his past business, giving expert advice on technical questions, knowledge of the policyholder's needs and circumstances, and innumerable other things, we cannot survive. In order to conserve our business, we must give such service as to create a desire in the policyholder's mind to want to remain with us.

### Disgusted with Deluge of Printed Matter

After a certain number of lapse notices have been received and letters of entreaty to return to membership, the policyholder becomes more or less disgusted with the constant deluge of printed matter and their effectiveness has been lost. We find in our organization that the fewer letters that are sent to policyholders to renew the better the results obtained, because after we have sent one or two letters with the usual follow-ups, in reply to their answers, it then becomes a question of whether or not the agent can go and see them and resell them.

Insurance companies and their agents have oftentimes been laughed at and it has been jokingly said that to sell a policy we must back up the hearse to a man's door and frighten him into buying. Nevertheless, we find that was a successful method in the old days, and upon trying it in two or three of our letters of recent date we found that fear of imminent danger to his earning capacity through injury or sickness to his body, and the knowledge that if such occurred he would suffer greatly, and he was led to believe that he was next, he readily renewed and thanked the agent for the great protection which was given him.

This method seems immature and out of place in a world that has advanced in civilization as far as ours has today, but human nature has not changed greatly in the past few centuries.

Many suggestions have been made as to the remedy of this lapse ratio, such as a dividend policy, cash surrender value, post-dated checks, increased value

(CONTINUED ON PAGE 11)

## Conservation Aids, Practices Listed

New Experiments Used by Various Companies to Keep Business on Books Reviewed

### PROVES LIVE QUESTION

Aitchison, Budlong, McGettigan and Feffer Are Principal Speakers in Round Table Discussion

Possibly the topic of greatest interest among those listed for consideration at the round table sessions was "Lapsation—how can it be prevented?" Conservation of business has attracted particular attention the past year or so and especial efforts have been made by companies to keep their old policyholders on the books. Many interesting and some decidedly novel experiments that have been tried in that connection were reviewed at this session.

Sam C. Carroll, Mutual Benefit Health & Accident, was to have introduced this topic, but he persuaded Lee R. Aitchison, head of the conservation department of that company, to present the subject instead. Mr. Aitchison emphasized the importance of conservation from the standpoint of both the company and the policyholder and reviewed plans that have been used by his and other companies, suggesting also some further possibilities in that connection for the consideration of conference members.

### McGettigan Tells of Cash Value Plan

W. J. McGettigan, Gibraltar Life & Accident, told of the cash value plan which his company has adopted. He said that in a survey made to find out the causes of lapses, financial conditions and dissatisfaction with the company's policies or its service accounted for only a small percentage, while a very large percentage was due to indifference of policyholders. In addition to rewarding the man who stays, the company felt that it should penalize the man who lapses.

A provision for cash values, along the line of life policies, was therefore worked out, providing for the accumulation of \$1,000 in 20 years, on the basis of \$100 per month indemnity. The rate of course had to be made much higher than for policy forms without that provision, and the question was raised as to whether it would sell, with the higher premium. Inasmuch as comparatively little of the business of life companies is on term policies, which are sold at a correspondingly lower rate, it was decided that the experiment was worth trying. The policy was put on sale the first of the year and 168 were written in January. The first renewals came up in April and 151 of these were renewed, a much larger percentage than on some other policy forms. The cash value becomes available after the third year and the man who lapses before that time forfeits it. It is regarded, therefore, as a strong incentive for the policyholder to retain his policy through the early years, where lapses are ordinarily most frequent.

F. M. Feffer, Abraham Lincoln Life, in telling of some of the conservation



measures used by his company, said it had had a renewal percentage on its commercial business that was regarded as quite satisfactory, running 81.9 percent in 1929, 81.4 in 1930 and 81.7 in 1931. He listed as the first point careful field underwriting. He said that at every agency meeting the men have hammered into them the necessity for proper presentation of policy provisions and are told, for example, not to call the non-confining illness provision "partial disability for sickness."

Home office underwriting also was emphasized. He said new or prospective agents are told that the company is "hard boiled" and that it will not take just anything that is sent in. The underwriting and claim departments are closely linked and the claim viewpoint is obtained on every risk that is questioned. The net in cash is required with every application, even though an agent may have a renewal account of \$200 a month. A large part of the business is written on the elimination period plan.

#### Use of Advance Dated Checks Is Explained

Especially credit for the good renewal record was given to the use of advance dated checks. Under this plan three checks are made out, dated at the times when the next three quarterly premiums come due. The new policyholder is told that if he wants to give up his insurance he should write in to the home office and the checks will be returned. Comparing the renewals on business written on this plan with those on business in general, figures for which are given above, Mr. Feffer said they were 91.4 percent in 1929, 92.4 in 1930 and 94.4 in 1931. He also mentioned briefly the guaranteed reduction coupon policy, a dividend form, which he said had tended to increase renewals, and the follow-up system under which six pieces of literature go out to each policyholder the first six months his policy is in force, three of an inspirational charac-

ter and three educational, with questions and answers on the fundamentals of accident and health coverage.

E. C. Budlong, Federal Life, urged the necessity for "stopping the leaks" and advocated some sort of merit rating plan as a means of securing greater persistency and desirability of policyholder.

C. W. Ray, Hoosier Casualty, vice-president of the conference, who was called to the chair by President MacEwen to preside at this session, in summarizing the discussion said he believed the keynote was to be found in the statement made by Mr. Aitchison, that companies are giving mechanical service, with not enough of the personal touch.

### Merit Rating As Lapse Cure Urged

(CONT'D FROM PRECEDING PAGE)

"Naturally, we all want new business and following the theory that accident and health insurance is one-year term insurance, we view with alarm any plan which offers any reward for persistency and a clean record over a term of years. The charge for health insurance is so high that the man in good health carries his own risk but the man who is not quite up to standard will pay any price—and we pay the bills.

"If you have accurate statistics on the so-called special policy, for which the health premium is practically double the regular rate, you are fully aware that the selection is against the company.

#### Accident and Health, Auto Insurance Company

"Three years ago I compared accident and health insurance with automobile insurance, and at that time the merit rating plan had just been announced. Sad to say, that innovation has been discontinued, because in the

hunger and thirst for new business the mere statement that to the best of his knowledge and belief the applicant had not been in a mess secured for him a cut rate of 10 percent—a theory just as fallacious as the fully accumulated principal sum in accident insurance, now also in the discard because it, too, was a cut rate to meet competition and to switch business upon which an accumulation had been earned by persistency.

"Louis Kempf, Chicago manager of the Travelers, says merit rating was ideal in principle but it got to a place where everyone who applied for insurance was able to get a 10 percent reduction in premium. Mr. Kempf suggested a merit rating plan that he thinks would benefit all concerned. His plan would call for a one-year waiting period, so as to eliminate all possible manipulation. It would apply over a period of five years, with the basis of credit stepped up each year until, at the end of that period, the policyholder would have a substantial credit and the company an excellent risk.

"This in a couple of net shells, as Andy Brown would say, is the logical solution. Whether the credit is in the form of an increased coverage or a reduced premium is of little importance. Such a premium could be loaded for early acquisition cost; rated according to attained age, and the holder of such a policy, after proving himself an excellent risk, will not easily be switched by the high pressure salesman and the original agent will be protected on his renewals.

"Stop the leaks and encourage persistency and desirability and some of your lapse problems will be settled."

When Chairman McNeill of the executive committee called a meeting of the executive committee for 8 o'clock Wednesday morning, there was some demur as to the hour selected but all of them were there approximately on time.

### Banquet Speaker Fails to Arrive; Award Prizes

The conference banquet Wednesday night was deprived of its expected speaker, Maj. Norman A. Imrie of Culver Military Academy, by reason of the fact that Major Imrie was in an automobile accident while on his way to Chicago for this event, and was unable to reach there in time to fill his engagement.

President MacEwen acted as toastmaster and the feature of the evening was the presentation of the prizes for the golf tournament and the ladies' bridge party, the former by W. T. Grant, Business Men's Assurance, and the latter by S. C. Carroll, Mutual Benefit Health & Accident. All of them established a new record for "stalling," as it was expected until a late hour that the speaker would arrive, although he would be delayed.

The golf winners were: Low gross, F. D. Meacham, Hooper-Holmes Bureau, Chicago; second low gross, C. P. Bryant of the same office; low net, B. H. Gross, Great Western; second low net, E. P. Oertel, Great Northern Life; high gross, E. H. Ferguson, Midland Casualty, Chicago. "Wild" prizes were awarded to H. G. Royer, Great Northern Life; J. E. Powell, Provident Life & Accident, and G. R. Kendall, Washington National.

Bridge prizes were awarded to Mrs. J. G. Malmberg and Mrs. A. N. Hepler, Jr., both of South Bend, Ind.; Mrs. G. E. Turner, Hartford; Mrs. Nackenhorst, Indianapolis; Mrs. J. W. Hoffman, Jacksonville, Ill., and Mrs. W. T. Grant, Kansas City.

An interesting added feature on the entertainment program was the whistling of Miss Doris McNeill, daughter of Chester W. McNeill of the Massachusetts Accident, president-elect of the conference.

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**A GOOD YEAR TO CONNECT WITH A GOOD COMPANY**

## EXPERIENCE IN MONTHLY FIELD REVIEWED

(CONTINUED FROM PAGE 6)

distinction between general agency and branch office collected business is decidedly in favor of general agency. The greater part of these premiums collected by branch offices were reported by one company which operated only on a branch office basis.

"From the above, if we need be convinced, it is graphically shown that companies in this business have been unable to successfully collect monthly premium business from the home office. Direct agents are somewhat favored, but it is the apparent consensus of opinion that this type of business can be better secured and serviced through agencies

or branch offices rather than through individual agents, although a survey of opinion gives us a differential in acquisition cost in favor of the direct agents, which differential, however, is more than offset by small volume and higher claim ratios.

"Summarizing the above, it will be noted that there is a decided tendency toward building and maintaining monthly premium business through the general agency or branch office plan of operation, with which plan the writer wholeheartedly agrees.

With \$11,000,000 of premiums involved, the percentage of claims paid

out to the total premium volume was approximately 48.77 percent. Claim ratios of individual companies range from 35 to 58 percent. The more favorable or smaller claim ratios were enjoyed by the companies writing the smaller volumes, although several companies with premium incomes much larger than the average of the companies involved in this experience had very favorable ratios and as low as 38 percent.

"It was found that nine companies favored home office adjustment of claims. Four were undecided as to favoring either plan, holding both home office and field adjustment as being practical. Thirteen, however, were decidedly in favor of field claim adjustment.

"Fourteen companies were without knowledge as to any differential in claim ratios between home office collected and field collected business. Seven were of the opinion that there was no differential, four gave their experience as indicating a differential ranging from 5 to 15 percent in favor of home office adjusted business. Among those was one company collecting over \$800,000 of premiums and whose experience had given it a differential of 15 percent over that proportion of their business on which claim service was rendered in the field. One company reported 5 percent differential, another 9 percent and another 10 percent. One company of the 26 reported a 5 percent differential in favor of field adjustment.

### Field Adjustment Gives More Favorable Results

"A survey, however, of the 26 companies reporting indicates that those companies that follow and recommend field adjustment usually enjoy a decidedly lower claim ratio. Because of the above outlined experience and opinions otherwise secured, field claim adjustment for the majority of companies operating on the usual plan is recommended. However, to successfully service monthly premium business from the field in a general way, the agent, manager or general agent must be equally as well qualified as a claim man as he is on production and collections. This, I believe you will agree, is an ideal combination and is not always procurable, yet the success of field claim adjustment hinges entirely upon the field representative. Policy plans seemingly make little difference in claim ratio. The representative in the field meets with all angles of the business in adjusting claims. The two angles of production and collection are equally important, since a favorable claim ratio with insufficient volume to carry the overhead of the debit still makes the debit unprofitable to all concerned.

### Unemployment Now Big Factor in Claims

"In monthly premium business all types of claims are submitted, legitimate and questionable. More now than ever before are we affected by unemployment.

"Five of the 26 companies either had no experience or at least they failed to give an opinion on the approximate percentage of renewal of second months' premiums. Twenty-one, however, either gave an opinion or quoted from their actual experience renewal percentage of second months' premiums, ranging from 50 to 95 percent. The average was 70 percent, which is approximately 10 percent higher than my company's experience. One company reporting 95 percent collected but \$35,000 of premiums. Two companies reporting 93 percent together collected \$1,800,000. These companies, together with all other enjoying an exceptionally good renewal of second months' premiums, were among those few companies requiring that a net be paid to the home office with the application.

"Many and varied were the experiences and opinions of companies as to the approximate average life of a

monthly premium policy. Nine had no experience and would not venture an opinion. The estimates or actual experiences of 17 companies ranged from five months to 10 years, one company estimating five months, one six months, three seven months, two eight months, one 10 months, two 12 months, two 14 months, one 18 months, one two years, another three to six years, and last but not least one company estimated that the average life of its monthly premium policies was 10 years. This company however, collected but \$85,000 in premiums. The five companies estimating an average longevity of over 12 months were with one exception the smaller companies, with an unusually high grade type of well serviced white business. The average for the remaining 11 companies, which companies represented approximately 75 percent of the premium involved, was approximately eight months which coincides with my company's experience. One company, collecting \$150,000 of premiums, submitted a most interesting experience, in that there was a differential of approximately one month in the average longevity of their monthly premium policies when paid on a monthly premium plan over the same type of policies paid on a quarterly, semi-annual or annual plan.

### Specific Data on One Company's Experience

"I am indebted to one company, collecting over \$500,000 in premiums, for data on its experience over a period of three years and five months, from December, 1926, to April, 1930, both inclusive, which experience was most detailed and conclusive. This company majors in the industrial business on the branch office plan. Accordingly its monthly premium business, while of a rather substantial volume, is but a by-product of its industrial office. This company's plan of operation is conducive to securing the best grade of monthly premium business and prior to May, 1931, the commissions payable on this business were level, the agent being paid the same first as renewal commission; therefore a substantial net was paid to the company on each application submitted. Its renewal of second months' premiums was 16 percent above the average and the approximate average life of its monthly premium policies was decidedly above the average, although out of 102,860 policies issued 46 percent lapsed within three months from date of issue, 62.4 percent within six months, 72 percent within nine months and 78.4 percent within 12 months from date of issue. The ratios of lapses to exposures on the first of each month on this group ranged from 21.7 percent the first month of renewal to 10 percent the seventh, remaining practically constant thereafter up to and including the 12th month, at about 8½ percent.

"In this questionnaire it was asked whether or not a net was required to be paid to the home office on first monthly premiums in all cases and if not whether or not such a plan was favored. These questions were answered by all companies responding, 12 of 26 definitely stating that a net was not required with monthly premium applications submitted and that the writing agent retained as commission 100 percent of the policy fee and first month's premium.

### Cancellation Charges on Undelivered Policies

"Perhaps this question should have been stated differently, inquiring as to whether or not a net was paid to the home office in any case, for of the 14 advising that nets were required with application, with but few exceptions, nets were required only in some cases or in some forms. In most instances the requirement of a net to be paid with the application was the exception rather than the rule, therefore it can be safely assumed that in the case of the majority of the fourteen companies reporting that nets were required from some agents or on some policies, the majority of the business submitted to these companies

Accident Life Health

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"ITS NAME IS ITS MOTTO"

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OF SAINT LOUIS

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was on plans not requiring a net. This coincides with my own company's experience in this regard.

"In spite of the fact that but a very few companies definitely stated that it was their rule to require that a net be paid to the home office on all monthly premium applications, 21 were definitely in favor of the plan, one was neutral, two indefinite, not expressing an opinion either way, and but two definitely against requiring such net.

"One company required as net 100 percent of the policy fee, another a net of 20 percent of the premium and one company advised that while it did not require a net, a cancellation charge of \$1 was made on undelivered policies. The question arises in the latter plan, of course, as to how it can be determined whether or not the policy was delivered. It was our sad experience at one time to find in the basement of a general agent's home some 400 policies issued by our home office which had not even been removed from the jackets. This was a case of where no net to the home office was required to be paid with the applications submitted.

"To determine upon the practical amount of net to be required with each monthly premium application should not be difficult, yet it probably would be impossible for all companies to agree upon a common factor. Some few companies may desire sufficient net to at least cover the cost of issuance of the policy, which cost, however, I believe varies considerably. Others may desire the net based on the amount of the policy fee, or a certain percentage of it, and yet others a certain minimum amount based on the first month's premium or a certain percentage of it, and yet others a certain minimum amount of net such as my own company requires on the two policies mentioned above. On these two forms, a net of 50 cents is required irrespective of premium or policy fee.

"From the information gained through this questionnaire and discussions of the subject with many capable executives in this field, it is the consensus of opinion that a net should be paid to the home office on each monthly premium application submitted, with which opinion the writer without qualification agrees.

#### Question of Contracting with Part-Time Agents

"Of the 26 companies reporting, 22 contracted with part-time monthly premium representatives, four were definitely against such practice. Twenty-one of the companies, however, considered the business of full-time monthly premium representatives superior to that of others, one gave the opinion that there was little difference if any, and four definitely stated that the quality of the business of full time representatives was not superior to that of others. Obviously from the above, full-time representation is favored and doubtless on the average, rightly so.

"Many companies to which this questionnaire was submitted operated in the life insurance and commercial as well as the monthly premium accident and health insurance field. Nineteen companies considered it practical to contract as part-time monthly premium representatives those representatives of their companies who majored in the sale of life or commercial accident and health insurance. Seven were definitely against such practice. Twenty-one companies permitted all representatives to produce monthly premium accident and health business as well as other lines. Five were not in favor of this plan.

"From the responses received it would appear that this subject is extremely controversial, the large majority favoring general producers, in spite of the fact that 21 of the 26 considered the business of full-time monthly premium representatives superior to that of others.

"I understand that the majority of industrial insurers have a mutual agreement whereby they will not employ an

(CONTINUED ON PAGE 15)

### What Is the Best Way to Conserve A. & H. Business?

(CONTINUED FROM PAGE 8)

of the policy over a period of time, return of premium. We have for a number of years been trying one of these methods with some small result. We issued a form policy, with a principal sum of \$2,000 for accidental death, and \$100 a month permanent disability for life. This policy was so issued as to contain the clause of an increase after each year's premium had been paid, until, at the end of a specified time, the maximum sum for accidental death became \$4,000 and the monthly indemnity \$200.

We also issued a like policy under a different form number, paying \$80 a month and an accidental death benefit in the amount of \$2,000. This policy did not carry the annual increase either for the accidental death benefit or the monthly benefit, but had a clause in it returning all premiums paid at a 4 percent compound interest in case of accidental death.

We find that over this period of years the former policy remains on the books longer, and that it was a faster selling contract than the latter.

However, under the first contract, to be entitled to the yearly increase, it was necessary to pay the premium on the annual basis, and as the great majority of the policyholders waived the annual increase and elected to pay on the quarterly basis, we therefore do not have a good example of what the annual increase would mean other than in our experience and it did not mean a lot to the policyholder in this instance.

We found that the return of premiums in case of accidental death, along with the principal sum, was of more interest to them as they felt that if they were to be accidentally killed they had carried the policy at no cost to themselves and they had received a higher interest rate for the money deposited than they would have had they deposited it in some banking institution.

#### Bonus System for Collectors Suggested

We have often thought that perhaps a bonus system to our collectors, the same as the bonus system for the production of business, might not be out of order.

For instance, if a man had had a general collection percentage of, say 75 or 80 percent and we were to set his collection quota for the next year at 90 percent, and if he made his quota of collections we were to give him a 2 percent or 2½ percent bonus on all he collected for that year, we thought that perhaps that might create an incentive for him to put forth a little more effort in the collection of premiums wherein he receives, of course, much less commission than in writing new business.

However, we have not tried this, as we were wondering if any other companies have ever had any experience in this line?

In closing let me summarize What I believe is the most successful way of conserving the business on the books and reinstating that which has lapsed:

First of all, and primarily, service—service to the policyholder, service to the agent, service to the lapsed man, and service to yourself.

2. Sending effective advertising literature direct to the policyholder, as well as to the general manager and agent.

3. The arrangement of some cash bonus system to be paid to collectors to give them an incentive to increase their collection ratio.

4. I am a firm believer that human nature has not changed and that we still should back up the hearse because people purchase for only two reasons, desire or fear, and these are either through desire of ownership, or fear for protection. Sell the heart through the senses and you will reach the senses through the heart.

## INCOME PROTECTION

is especially popular at a time when incomes need protecting. In times of uncertainty it is also desirable that accident and health insurance should have all the security of life insurance.

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plus  
**MAXIMUM COMMISSIONS**  
plus  
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have made our Company one of the acknowledged leaders in the Accident & Health field. The fact that our new business in 1931, and so far in the current year as well, exceeded 1930 figures is significant, and of particular interest to you as a business-builder.

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Premiums payable in a manner suitable to applicants. Policies covering every accident or sickness enables our field force to build large renewal incomes.

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**UNITED CASUALTY COMPANY**  
WESTFIELD, MASS.

## Legislation and Public Relations Are Live Topics

(CONTINUED FROM PAGE 3)

going into this matter for the life companies.

His next contact is likely to be through the filing of a claim. He gets a blank containing innumerable questions. On some of these blanks, he said, an experienced insurance man would have difficulty in giving a correct picture of the disability. It goes to the home office and the examiners there start in to secure more information. Before he gets through, the policyholder is completely in the dark as to what it's all about. He feels that the company is taking advantage of trick questions to enable it to deny liability, although that is not the attitude of the companies, Colonel Blunt declared.

A prominent claim man, when asked recently what percentage of claimants he felt were trying to get something they are not entitled to, said he would not put it at over 2 percent, but he would say that 60 percent are mistaken as to what they think they're entitled to.

Colonel Blunt said he would like to have the committee go into the matter and prepare a series of recommendations as to what the conference can do toward building good will.

### Personal Insurance Gets Favorable Publicity

President MacEwen said that personal insurance, including life and accident and health, has been given much favorable publicity in recent months. In traveling over the country he said he had contacted many men in other lines and had heard favorable comment on accident and health insurance that was not formerly heard. He urged that close watch be kept on legislation and said if a delegation of company men appears before a legislative committee it has considerable weight.

C. W. Ray, Hoosier Casualty, announced that a special session of the Indiana legislature had just been called for July 7 and said that companies there may need some help.

F. M. Feffer, chairman grievance committee, said he was able to follow the precedent established for many years past and report that no complaints have been received. In the absence of R. S. Hills, Massachusetts Bonding, chairman of the manual committee, the report of that committee was submitted by J. F. Ramey, Washington National.

## Protection Need Is Brought Home

(CONTINUED FROM PAGE 6)

fitted to meet the needs which these conditions will bring than monthly premium insurance."

Mr. Patterson quoted from an address he gave at the conference meeting at French Lick in 1921, at a time of business depression, on "Is the monthly premium business becoming less popular?" Many of the comments made then still apply today. He emphasized that monthly premium insurance is essentially a measure of thrift. Its history has demonstrated that times when the qualities of thrift and saving are emphasized are more favorable for the popularity and development of this particular type of protection, in contrast to the reckless extravagance so common during inflated conditions.

Chester W. McNeill, Massachusetts Accident, expressed the opinion that "opportunities in the monthly premium field were never better." He declared that this particular line is receiving great propaganda in the liberal advertising given to the budget idea—vacation clubs, Christmas clubs and the like. A certain

electric refrigerator can even be purchased on a coin-in-the-slot plan.

He said that the field for this particular plan of coverage is being greatly broadened at this time. He cited the case of a physician of high reputation who had carried a commercial policy in his company for years, but wrote in that he was not going to renew. It was found that he hesitated about paying the premium because his collections were bad. When he was advised of the monthly premium plan, he was glad to take advantage of it. After the agent has convinced a prospect that he should have accident and health insurance, he can close cases on a "monthly budget" basis that he could not otherwise.

## Must Be Able to Fulfill Promises

(CONTINUED FROM PAGE 3)

benefits; (3) accident and health companies generally provide for an increase of monthly disability benefits up to 50 percent for a reasonable period of time during insured's confinement in a hospital; (4) many such companies also provide for an increase in monthly benefits where the insured is not confined in a hospital, but is under the care of a graduate nurse; (5) in addition to these advantages, accident and health companies offer other special benefits, such as the payment of doctor bills for non-disabling injuries, increased benefits for loss of life, limb, or sight where insured has established a favorable record for paying his premiums continuously and without default.

### Statistics on Duration of Disability Cited

"Statistics Report No. 13 issued by this conference in Table 1 analyzes the duration of sickness claims. Out of a total of 924,967 days of sickness disability, 99.48 percent was incurred by all claims at the end of 12 months; 99.93 percent at the end of two years, and 100 percent by the end of three years. Table 2 shows the duration of accident claims for similar periods of 12 months, two years and three years is respectively 99.75, 99.96 and 100 percent. Notwithstanding the fact that this represents but a small cross section of the business as a whole, the question naturally arises: If so few periods of disability run beyond one, two or three years, why not continue to offer the insuring public policies that will duplicate the life company monthly disability contracts with respect to their non-cancellable and pay-for-life provisions? Suggestive answers are: (1) That ever-present, variable factor known to all insurance managements as moral hazard; (2) increasing agitation for larger and more adequate reserves on this class of coverage; (3) unfavorable court decisions, and (4) the disastrous experience of life insurance companies, notwithstanding their limit of \$10 per month benefits per \$1,000 face of policy."

All the living ex-presidents of the conference since 1917 were present including I. M. Hamilton, Federal Life; A. E. Forrest, North American Accident; E. C. Budlong, Federal Life; C. O. Pauley, Great Northern Life; John Patterson, Midland Casualty; W. T. Grant, Business Men's Assurance; J. W. Scherr, Inter-Ocean Casualty; Watson Powell, Provident Life & Accident; T. L. Thompson, National Life & Accident, and Dr. J. R. Neal, Abraham Lincoln Life.

V. M. Ray, Hoosier Casualty, chairman of the entertainment committee, got a laugh when he announced that the ladies' bridge party would not start until after the demonstration of the "lie detector," as it was desired that the ladies be present for that demonstration. There were some comments from the floor that it was entirely unnecessary.



## Progress Reported Toward Uniformity

(CONTINUED FROM PAGE 7)

cies becoming effective Jan. 1 of this year. Those pertaining to underwriting practices were likewise made effective on that date. Our sales organization has accepted the program enthusiastically and the volume of new business secured during the five months of 1932 has been better than we were justified in expecting it to be had no changes of this character been made.

"There is no question in my mind, and I do not believe there can be in the minds of any one who gives serious consideration to the problem, that the public has been confused by the lack of uniformity in health and accident contracts as they have heretofore been issued. Where it is confused it does not understand, and where it does not understand it does not buy. But even though it does buy it does not retain that which is not reasonably well understood.

"The companies have been unable to measure their liability with the same degree of accuracy as would be possible if all features of coverage were worded in identical language. Until a court of last resort has construed a sentence or section of an insurance contract no one can state definitely what liability is or is not incurred thereunder.

### Gives Opportunity to Unscrupulous Salesman

"Differences in phraseology, even though the companies themselves intend the same meaning, afford opportunity to either the ignorant or the unscrupulous salesman to magnify such differences and convey to the prospect that a distinct advantage is intended in the protection afforded under his particular policy, when as a matter of fact the meaning is intended to be the same. Since even the courts frequently disagree over slight variances in phraseology, and since our own claim department officials find difficulty in interpreting the exact meaning of sentences or phrases, is it surprising that insurance department officials become impatient and at times exasperated in their effort to explain to inquiring policyholders or claimants just what a specific company does or does not intend the coverage under its policy contract to be?"

### Ives, Webb and Mac Ewen on Program at Opening Session

(CONTINUED FROM PAGE 2)

He pointed out the menace of the increasingly heavy load of taxation, most of the benefits of which will go to demagogues, professional politicians and their hangers-on, with especial reference to the debates on the tax bill in Congress, with "swat the rich" as the slogan. He also attacked the efforts toward government ownership and its invasion of the field of private business.

He made a plea for concerted action by insurance men of all classes, declaring that insurance touches intimately the lives, hopes, prosperity and property of more people than does any other business or business group, and "under these circumstances insurance ought to be able to impress itself more vigorously than it has done heretofore on the life of the nation."

That plea was given a hearty endorsement by A. E. Forrest, North American Accident, who deplored the fact that the insurance interests have not had more success in bringing about unity of action.

President MacEwen in his annual address reviewed the work of the conference for the past year and also touched on some of the outstanding developments in the business in general. He paid high tribute to the work done by Harold R. Gordon, executive secretary, and some of the major committees of

the conference, particularly the legislative and public relations, educational, manual and legal committees. He spoke of the conference with the insurance commissioners of western states, held in Salt Lake City last November, as one of the outstanding events of the year and expressed the belief that much permanent good will come from it.

## Rogers Sees Era of Growth Ahead

(CONTINUED FROM PAGE 6)

1929 was not reflected in a proportionate growth of the monthly premium business. With the average workingman making far more than ever before, the need for protection did not impress the average man. There was a decided lapse in the instincts for thrift and self-preservation.

"With earnings in miscellaneous lines of sales work very high, the better type men were not attracted to the monthly premium insurance business. Premiums and commissions necessarily remained the same and the earning power of the monthly premium accident and health salesmen did not increase as it did in many other lines of sales work. Since 1929 our problem has, therefore, been doubly difficult and now we are searching for the key to larger premium volume and more satisfactory underwriting experience.

### Average Man Now Has New Sense of Values

"I believe it is going to come directly and naturally as a result of this readjustment period we are now in. There are already distinct evidences of it. Our depression has been an harassing but character-building experience. It has definitely cured the average man of his get-rich-quick hopes of a few years ago. It has given him a new sense of values. It has taught prudence and thrift as probably no other lesson could. The false feeling of security which was spread by the boom times is completely gone. The value of earnings has taken on a new meaning. The public is distinctly more responsive to the agent's description of protection afforded in an accident and health policy. The situation, then, from the standpoint of the attitude of the public and sales-making possibilities is already distinctly better and as soon as we are around that corner we have been searching for for so many months, just as soon as there is general confidence that conditions are stabilized, it is my conviction that we will then have a period of unusual growth in the monthly premium business.

### Position More Satisfactory From Standpoint of Agent

"Our position is much more satisfactory from the standpoint of the agent. Our business has, perhaps, felt the depression as little as any other line of business. Never before have our agents appreciated the value of their business as much as they do now. It has given them a new realization of the stability and solidarity of our business and whereas in boom times the agents' earnings may have appeared unsatisfactory, they now realize that their present earnings and future possibilities are highly attractive. Commissions remain substantially the same and the field man again sees that handsome earnings are his in this business. A better grade of men is being attracted to the business. New agency replacements are now being made with men of a distinctly better quality. New agents earnestly desiring to become reestablished in business are devoting themselves to accident and health insurance with energy and determination. There can be no other explanation of the fact that new business written by our monthly premium field men the past year has substantially exceeded the volume of new business written the previous year."

## Fertile Ground For Salesmen

Good policy values come first of course—but much of the success of the Woodmen Accident Company is directly due to the cooperation by the Home Office.

For years our advertising has secured a continuous supply of highly profitable leads. Similar success has been experienced with leads sent by our policyholders.

We supply our salesmen with local advertising in their own home town papers, with posters, tire covers, lantern slides and other material of that like.

The Woodmen Accident Company believes in assisting its salesmen to prosper.

## Woodmen Accident Company Lincoln, Nebraska

*Not a fraternal company and not  
connected with any fraternal order.*

## Entering New Territory

WITH NON-CANCELLABLE  
GUARANTEED RENEWABLE POLICY

Desirable  
Agents  
Wanted

## Gibraltar Life and Accident Insurance Co. Denver, Colorado

Capital \$250,000

Surplus \$110,000

## NEW BUREAU PROGRAM DISTINCT SUCCESS

(CONTINUED FROM PAGE 2)

### "Eyes--- FRONT"

Backward looks and even "Eyes Right" are disastrous today. This Company is convinced that the only way to do business now is with Eyes Front.

That means forgetting a lot of things, including how business was written as recently as two years ago. It means forgetting obsolete selling methods and the old policies of the past.

Just talking about it accomplishes nothing, however. We did something.

The result: an entirely new line of Accident and Health policies, modeled on today's conditions. Attractive policies with sales appeal. Attractive literature that helps our representatives sell these policies.

We always have tried to keep up with the procession, and even a bit ahead. We would not be guilty of boasting, but we do feel that our present plans are just what the spirit of the times requires.

The protection of incomes from interruption by accident and illness never was more important. We never were better equipped to do our part in this great public service.

**Great Northern Life  
Insurance Company  
Chicago**

these companies amounted to considerably more than \$50,000,000, so you can see that the rates for the advisory policies are based upon a wide experience, which reflects the underwriting methods of ten companies rather than one or two companies. I think the bureau performed a very good service for its members when it furnished them with a set of policies which were carefully prepared, approved by the legal committee of the bureau, and properly rated by the statistical committee.

#### No Requirement for Adoption in Entirety

No company is obliged to adopt the advisory policies in their entirety. Some companies have adopted them as submitted with very few variations as to text, but most companies have maintained their own individual style of set-up. It is a fact that at some of the early meetings of the underwriting committee the subject of standard policy forms which should be mandatory in all respects was considered, but it was generally agreed that such a plan would stifle initiative, and it is entirely probable that some new ideas as to accident and health insurance coverage will be developed in the future. Further, it was realized that some few companies issued special forms of coverage which they originated and which they had featured successfully with their agency organizations and which possibly might not be causing any severe underwriting losses. Naturally, these companies would be loathe to discontinue issuing these particular forms. It was, therefore, decided to suggest language which should be mandatory as to intent for only a few of the principal clauses, such as the accident insuring clause, accident total disability clause, accident partial disability clause, health insuring clause, and health total disability clause. Under the operation of the bureau program a company may include in its policies any form of coverage which it desires. The policies will be submitted to the bureau and if they are approved as to coverage they will be rated and the company advised. You will see this gives the company all the latitude one could expect.

#### Few Special Coverages Submitted for Approval

It is interesting to note that the number of special coverages—and by that I mean coverages which do not conform to the advisory policies—submitted to the bureau for approval and rating has been much smaller than expected. It is pretty generally agreed that one reason why the commercial accident and health business has not progressed more rapidly is because of the multiplicity of policy forms, which have confused the agents and caused them to lose interest in the line. I think it is admitted that in some instances one form of coverage has been featured to the detriment of another form of coverage which is equally good or better. Agents have told me they were no longer interested in the accident and health business because of their lack of knowledge of the coverages provided by the different companies, and they were fearful they would not provide their clients with the coverages best fitted to meet their individual needs. I feel that the simplified policy program adopted by the bureau will revive the interest of old agents and attract new agents. As a sidelight, it is interesting to note that most lines of insurance which issue uniform policies have progressed more rapidly than the commercial accident and health business.

The compilation of accident statistics by the bureau will, I am sure, be of tremendous value to the member companies. In future years these statistics will furnish a scientific basis for the proper rating of all policies. The manual committee of the bureau will have

the assistance of the statistical committee in making the proper changes in classifications as made necessary by the bureau of experience.

The bureau program as adopted applies only to new business dated on and after the date upon which it is put into effect. It was felt that the subject of applying treatment to all of the existing business of all companies was too great to be handled if definite conclusions were to be reached and a constructive program submitted to the companies within a reasonable length of time. It probably would be a physical impossibility for the committee to rate all of the forms of policies in force on the books of all of the companies. This situation is evidenced by the fact that I have the statement of a representative of one member company, which reports a volume of less than \$1,000,000 in premiums annually, that an analysis of the business showed 54 varieties of policies in force. It is recognized that the experience on \$50,000,000 of earned premiums shows conclusively that the companies which have taken no corrective measures in connection with the existing business are knowingly renewing same at rates which are inadequate. Some companies have already applied the rates promulgated by the bureau to all existing business. In this connection it should be recognized that the bureau has developed a situation so far as subscribing member companies are concerned whereby the agent's business is protected in the event a rate increase is applied to renewals, provided the increase is not above the present rates promulgated by the bureau.

To make my point clear I will cite as an example advisory policy No. 2, for which the premium is \$25 when written for a principal sum of \$5,000 with \$25 weekly indemnity, in the "A" class. If any company desires to issue this policy for \$7,500 principal sum with \$25 weekly indemnity the premium will be \$30.50. I may say that the coverages provided by advisory policy No. 2 are similar to those which have been included in the leading policies issued in the past by many companies, except that the same premium charge of \$25 in the "A" class has provided \$7,500 principal sum and \$25 weekly indemnity. Is there any reason why these old policies cannot be renewed for \$30.50, or reduction riders applied to them whereby the principal sum is reduced to \$5,000 and the premium maintained at \$25?

#### Difference in Practice on Renewal Premiums

Some companies may decide to treat with existing business by increasing renewal premiums to meet present classifications of occupations, others may increase renewal premiums in certain unprofitable territories or withdraw therefrom, and perhaps some companies may reduce the large policies now in force, because it is pretty generally recognized that the experience obtained on large policies is unfavorable. As previously stated, some companies have been featuring special forms of coverage, and possibly the experience on these policies has been favorable, and naturally the companies would under such conditions object to increasing renewal premiums on these particular forms. Perhaps another way to treat with the situation as it exists in connection with the old business would be to urge the re-writing of such business on the present approved forms at the rates promulgated by the bureau.

It seems that the medical expense feature which has recently been adopted by many companies has a strong sales appeal and is being featured by sales organizations to a great extent. I believe the agent owes a duty to his client to explain the advantages of the medical expense feature and offer him a pol-

icy which contains this provision. I think wherever the medical expense feature has been provided by a company it is on exactly the same basis as when furnished by other companies.

Perhaps it is a fact that some companies writing limited volumes of commercial accident and health business consider the line as an accommodation line for their agency organizations and hesitate to make any change in the rates on the existing business because of the possible effect it may have on the agency organizations. Other companies, perhaps, hold to the principle that an accident policy once issued at a stated premium should carry that premium so long as the policy is continued in force. I think this opinion existed rather generally several years ago. The fallacy of this opinion was demonstrated in an absolutely positive manner when the renewal premiums were increased for the group of so-called over-age risks. Several years ago the bureau, as a service to its members, compiled the experience on the over-age groups and this experience showed that the losses were extremely high, due principally to death claims. The bureau recommended to its members a set of rates to be applicable to all business (new and renewal) in the over-age groups. Many companies responded to this recommendation, firm in their belief that the remedy necessary to correct the situation should be applied to the class of business which developed the excessive losses.

#### Some Companies Showed Increase in Paid Premiums

I do not know that any canvass of the companies was made to show how many adopted the bureau recommendations or what results were secured by the companies which did adopt the recommendations. I do know, however, that two companies, which report annually a substantial volume of accident premiums, adopted the bureau rates for all over-age risks, new and renewal, at the beginning of 1929, and their experience on this business showed a lapse ratio of approximately 11 percent by number of risks, but an increase in the volume of paid premiums. I know you will agree this is a remarkable showing, and I mention it here only to show that it is possible to increase renewal premiums. I know of no other line of business not under supervision where it is found desirable or necessary to provide \$1.20 value, considering the cost of operation and all other charges, at a cost of \$1 to the purchaser.

Some argue that the situation should be corrected through a reduction in the acquisition cost. The committee decided that the subject of acquisition cost was outside its province.

#### Need for Accident-Health Greater Than Ever Before

I have heard the opinion advanced that if a line of insurance proves to be unprofitable it should be discontinued. I believe that there is now a greater need for accident and health insurance than ever before, and I believe that the companies whose charters permit them to write the line should supply the needs of the insuring public on a basis where they can at least break even. This will, in my judgment, require some changes in the existing business to meet the changed conditions in which we now live.

While it is agreed that the new bureau program will not correct all of the troubles which have existed in the business of commercial accident and health insurance, I think it is generally recognized that the program as adopted will correct the situation so far as new business is concerned, because all new policies proposed by subscribing member companies will be scientifically rated by the statistical committee, but, even so, the companies will find it necessary in the future to underwrite their business with the greatest care, the same as they have in the past.



## Mac Ewen Reviews Past Year's Work

(CONTINUED FROM PAGE 2)

accident, railroad installment, limited travel accident policies, deferred payment insurance, and group disability. Truly, the membership of the conference represents an accurate cross-section of the accident and health business because it embraces so many different kinds of companies and coverage and for that reason has become a very valuable and effective medium for contact with the insuring public and with state supervisory officials. It is distinctly a credit to the conference that its officers and members, despite the diversified constitution of its membership, have worked so harmoniously and have cooperated with each other to the end that the best interests of the accident and health business might be served."

### Work of Committees of Conference Reviewed

President Mac Ewen paid tribute to the highly constructive work of the conference committees, including the manual committee, headed by R. S. Hills; the educational committee under the direction of Dr. W. A. Granville, the legal committee, of which E. St. Clair is chairman, and the legislative and public relations committee. "I am informed by this committee," he said, "that no radical legislation has been enacted during the past year affecting our interests, but I would caution all insurance executives to exercise more than the usual watchfulness during the remainder of the year because of the necessity in many states of additional revenue. As is quite often the case under necessity and through political pressure, attempts will be made to impose additional tax burdens on insurance companies, which, of course, must be reflected in higher insurance premiums to be paid by our policyholders."

In connection with the work of the special committee on qualifications for membership, with W. T. Grant as chairman, Mr. Mac Ewen said: "It seems to me that it is very desirous in maintaining the influence of the conference, that we establish certain standards for the admittance of new members and while these requirements should not be too severe or place undue handicaps on the small and newer companies, yet they undoubtedly will serve to uphold and increase the splendid prestige that the conference has always enjoyed."

He characterized as "undoubtedly the outstanding event in the conference pro-

gram the past year," the conference between the commissioners of ten western states and a group of representatives of accident and health executives at Salt Lake City last November. After reviewing the results of that meeting he said:

"I would like to direct your attention to the effectiveness and value of this kind of cooperation with our state supervising officials. It must be remembered that every state insurance commissioner, with only a limited amount of administrative assistance, is charged with the supervision and regulation of many different kinds of insurance, of which accident and health insurance is only one and it is to be expected that difficulties and misunderstandings are bound to arise in the supervision of our business. How much better it is that a group of these officials can sit down with a representative group of company executives and carefully consider the effect of rulings both on the companies and on the policyholders and iron out any differences of opinion to the satisfaction of all concerned. In addition to the direct result of obtaining a solution to the immediate problem, there is a much greater result obtained indirectly by reason of our supervisory officials becoming better acquainted with the problems that confront the companies and knowing more intimately the details of our business."

### Uniform Phraseology and Standard Underwriting Practices

"There have been an unusually large number of departmental rulings the past year, some directed at one type of coverage, others dealing with a particular provision of a policy. Confusion has existed because of different requirements laid down by various departments and in many cases, necessitating a separate policy form in each state. Needless to say, such a condition imposes on our companies considerable additional expense, especially for those who are doing business in all or substantially a large number of states. Companies that do business in a large number of our states are confronted with a complex problem of rubber stamping, endorsing or 'riding' most of their contracts, which is confusing to the policyholder and creates needless expense."

Taking up another outstanding development of the year, Mr. Mac Ewen said that "one of the most encouraging signs of real progress toward the solution of some of our problems has been the endeavor of groups of companies to get together in conferences and agree on certain uniform phraseology and standard underwriting practices."

He spoke of the new program of the

Bureau of Personal Accident & Health Underwriters and recommended that companies in the conference which write the class of business coming within the scope of the new policy program of the bureau "give it very careful study and analysis with the hope that those companies may profit and obtain the maximum benefit that is bound to accrue from such a plan."

"Within our own ranks a group of companies issuing what is known as 'quarterly premium' commercial business met in a series of conferences out of which came a set of agreements concerning uniform phraseology and standard underwriting practices applicable to that type of business. It is most commendable that a group of conference companies writing substantially the same class of business can get together in a group meeting, and, after discussing in detail the technical points involved in policy phraseology and differences in underwriting practices, work out a set of agreements tending to put the contract on a less competitive basis, which in the end will restore a great deal of confidence in the value of our accident and health policies on the part of our policyholders and as a result of this restored confidence, our business is bound to increase."

### Formation of Sections in Conference Suggested

"Such steps as these which have been taken by groups of companies writing a particular class of accident and health business brings to my attention a possible need for the formation, within the conference and organized under the administration of the conference, of sections to study the needs of particular classes of accident and health insurance or special departments of our business."

"I am not recommending any definite action along this line but only suggest it with the thought that some consideration might be given to this possibility after it has been determined that an actual need for formation of sections within the conference exists. We would not want to duplicate in any way the work and activity being carried on by other accident and health organizations that are now functioning most efficiently, devoting their efforts to a particular class or department of our business. For example, there would be no possible need for a section to study claims since there already exists a very effective and large accident and health claim association—nor would there be a need of our companies who write weekly premium industrial insurance to form a section to study that particular type of coverage because of the existence of the Industrial Insurers Conference."

"However, there may be certain departments, such as the monthly industrial division, group disability, or agency management, which have not an effective medium for the consideration of problems of direct interest to their field and which might profit by the more intensive study of their problems which could be given by sectional meetings within the conference."

"Among the many causes of the recent rise in our loss ratios has been the increase in accidental death losses. Two factors have contributed heavily to this loss—the automobile hazard and suicide. The first named will be with us for many years to come and while safety measures undoubtedly will contribute to a lessening of the terrible toll of human life now being taken by the automobile, yet we must count on it to play an important part in our loss experience. It is our business to insure against this form of accident hazard and our underwriting and rate-making facilities should be adequate so as to insure a proper selection and provide policy contracts for which sufficient premiums are charged to conduct the business sanely."

### Monthly Premium Experience Reviewed in Paper by Davis

(CONTINUED FROM PAGE 11)

agent of any other party to this agreement unless by consent and when the agent has satisfactorily finalized and is out of the service of the first company for a period of at least six months. This ruling, incidentally, brings to our companies many former industrial men, many of whom operate in our field only long enough to thoroughly disturb the debit formerly under their jurisdiction with the industrial company and to serve out their six months' suspension before applying to another industrial company in order to get 'on draw.' It is not recommended that we attempt to arrive at any such understanding as between companies but it does appear that it would be to the interest of all concerned if we were to have some better understanding among ourselves outside of the conference code of ethics which would permit of and make for better cooperation between companies in the matter of contracting an agent who at the time of contracting is indebted through advances or shortages to a former company."

"It was inquired whether or not small direct debits, particularly in small towns, were profitable. Fourteen companies gave it as their opinion that such debits were profitable. Three questioned the profitability of these small debits, whereas nine definitely held as their opinion that they were unprofitable."

## TO A CLERGYMAN

### ALWAYS SAY:

"The Ministers Casualty Union of Minneapolis offers sound Life, Health and Accident Insurance at Bottom Cost."

Incorporated 1900

**The Ministers Casualty Union**  
Minneapolis

MELL W. HOBART, Secy.

W. G. CALDERWOOD, Treas.

## The secret's out---

The Fidelity Health and Accident has succeeded because

### Our Policies SELL and stay SOLD

We write every form of PERSONAL Income Protection, MONTHLY PAY, COMMERCIAL, GROUP

### Our Salesmen STAY

A 20 year service period is not unusual among our agents.

### Our New Policies

are the last word in policy construction.

Desirable openings are available in some territory.

**Fidelity Health and Accident Company**  
Benton Harbor, Michigan

E. C. Bowlby, Pres. and Gen. Mgr. E. C. Edmunds, Vic-President & Treas. A. R. Arford, Secretary

Member of Conference since 1904.

## Year Elimination on Non-Can Urged

(CONTINUED FROM PAGE 3)

Hospitalization is often resorted to at a much earlier stage in disease than was formerly the case. Persons with incipient tuberculosis, for example, frequently give up work and enter a sanatorium for cure. While this practice is of great social value, yet it results in an increase in the number and length of disability claims. The business depression beginning in 1929 also caused an increase in the number of cases of disability, the strain and worry of this trying period apparently reducing bodily resistance and opening the door to sickness and disability. Then too, the unfavorable effects of overinsurance became more pronounced, because many policyholders not previously overinsured encountered a great reduction in earned income due to economic conditions.

### Overinsurance Factor with Large, Small Companies

"Experience has shown that claims occur in greater numbers and the length of the claim is longer, where the amount of the disability income approaches the amount of the policyholder's earned income. Under such circumstances there is no strong financial incentive for a partially disabled policyholder to return to work, as he can live nearly as comfortably in leisure as when he was engaged in his occupation. Unless the company takes the initiative and the disability income is terminated, there is an improperly prolonged disability claim.

"While overinsurance in connection with the disability incomes was no doubt a serious problem with the larger companies, yet the smaller companies, whose policy issues were in much smaller individual amounts, seemingly experienced about the same results.

"The average life policy in the smaller companies is around \$3,000 so with disability benefits at the rate of \$10 per month per thousand of life insurance, not many incomes would be overinsured, unless this amount was in addition to other disability insurance carried by the policyholder.

### Small Benefits Result in Poor Underwriting

"I believe the small amount of benefits issued in connection with the lower amounts of life insurance encouraged poor underwriting by life underwriters when considering disability incomes.

"I personally reviewed 149 life disability claims of our own company and found only one which could be considered from a speculative standpoint, which would prove poor underwriting rather than overinsurance. While our company is denying liability in this particular case, yet denying liability does not mean that our company will not have a legal expense, and I feel all life companies are incurring a large legal expense on account of these disability benefits in addition to the money paid out through accepted disability claims.

"Thus it seems both large and small companies have had about the same experience with life policy disability benefits, although the causes may differ.

### Can't Write Life Benefits With 90-Day Elimination

"Frankly, I do not believe lifetime non-cancellable disability benefits can be profitably underwritten with only a 90-day elimination period.

"Accident and health companies through their ordinary accident and health policies can offer to life policyholders a good substitute for disability benefits. While these policies are considered term policies and the companies can, even with Clause 16 eliminated, refuse to renew the policy at the end of any period for which the premium is paid, yet with the lifetime accident coverage and 52 weeks illness benefits, regardless of house confinement, a policy-

holder is given real protection through a policy of this kind.

"Some companies are writing a lifetime non-cancellable policy with 60 and 90-day elimination periods. These non-cancellable policies are a better substitute for life policy disability benefits than the ordinary accident and health policies but I doubt if they will prove to be a financial success.

### Each Form Really Has Specific Field to Cover

"I also know by examining the financial statements of accident and health companies that we have not made any money through our ordinary accident and health and the non-cancellable policies issued. This being true I am wondering if life insurance companies are not to be complimented for knowing enough to leave a field they have found unprofitable and if the accident and health companies should not become much concerned, knowing they again must bear the brunt of the financial burden of taking care of disability incomes.

"I believe the reason for the losses in both the non-cancellable benefits and ordinary accident and health policies is that we are trying to cover as nearly as possible the entire disability field with both forms, when each form has a specific field to cover.

"Despite the weaknesses mentioned above, the need for disability income protection still exists and should be met in some manner to the fullest extent possible and practicable. The disability income provision is now on trial, there are problems to be solved and difficulties to be overcome, but we can expect to furnish in some form the needed disability insurance.

### Suggests Forms That Would Avoid Overlapping

"I would recommend an ordinary accident and health policy with one year (outside two years) accident benefits and one year health benefits. Our company writes a commercial policy of this kind with very good results. Under this plan a company will not accept a premium paying for a policy for a longer period than one year. This would be a good reason for not agreeing to pay either accident or health benefits for a longer period than one year.

"I also feel there is a place for a strictly non-cancellable policy but with a 12-month elimination period, and that accident and health companies (not life insurance companies) should issue this policy. In this way we would have no overlapping by the ordinary accident and health and non-cancellable policies in covering the disability field, for one would agree to begin when the other ceased to protect. This would make a real combination that would offer lifetime protection and I feel certain with adequate rates both forms would be profitable to our companies."

### Crittenden Is Host

F. C. Crittenden of the LaSalle Print Shop, Chicago, entertained a number of early arrivals at the Olympia Fields Country Club Sunday. The group included Mr. and Mrs. V. M. Ray and Mrs. Schroeder of Indianapolis, Dr. and Mrs. J. R. Neal, Springfield, Ill.; John J. King and Charles King of the Hooper-Holmes Bureau, New York; F. D. Meacham and R. M. Ayres of the Chicago office of that organization; Mr. and Mrs. George R. Kendall, Harold R. Gordon and H. G. Royer, all of Chicago.

The National Protective of Kansas City, one of the companies admitted to membership in the conference at this meeting, was represented by R. A. Ridgway, president, and Ross J. Ream, secretary. J. G. Malmberg and A. N. Hepler, Jr., were on hand from the Income Guaranty, another of the new member companies.

## Approval Given to Reform Plan

(CONTINUED FROM PAGE 1)

in formulating the new uniformity program adopted by quarterly premium companies which are members of the conference. The two organizations also cooperated in bringing about the meeting with insurance commissioners of the western states at Salt Lake City, which ironed out many of the difficulties in that field.

The resolution which was adopted, introduced by C. O. Pauley, Great Northern Life, follows:

### Attendance and Interest Highest in Many Years

"Resolved that this conference approves the program of the Bureau of Personal Accident & Health Underwriters as to policy provisions and underwriting practices affecting commercial accident and health policies, and the conference recommends to those of its members issuing regular commercial policies that the bureau program be followed."

This year's meeting of the conference was the largest in many years, with 186 registered, representing 57 conference and 12 non-conference companies. Five companies were admitted to membership at this meeting, the largest number received at one time for several years. The new members are the Anchor Casualty, St. Paul; Income Guaranty, South Bend, Ind.; State Reserve Mutual, Denver; Title Guaranty & Casualty, Detroit; and National Protective, Kansas City.

The large attendance was undoubtedly induced by the important topics listed for discussion and the desire of all those in the business to get the benefit of any suggestions that might be offered toward the solution of problems which are major issues in the business today. In addition to the review of the new bureau program prepared by E. C. Bowen, Aetna Life; a discussion of claim problems by H. S. Don Carlos of the Travelers, president International Claim Association, and a presentation of the need for greater economy in government by H. S. Ives, National Bureau of Casualty and Surety Underwriters, there were round table discussions on four vital topics—lapses and their prevention, the future of the monthly premium business, what accident and health has to offer as a substitute for the life disability clause, and the agreement adopted by the quarterly premium companies. All the sessions were well attended and the discussions followed with the closest interest.

### Differ on Reduction for Advanced Ages

The resolution approving the bureau program was very appropriately brought up at the conclusion of the discussion on the quarterly premium agreement, which is a step toward the same end as that sought by the bureau companies. All of the speakers commended the action taken as a move in the right direction, the only disagreement being on the desirability of the provision reducing indemnities at the older ages. The discussion was opened by W. T. Grant, Business Men's Assurance, who reviewed the steps leading up to the adoption of this agreement and the results obtained so far in making it effective.

C. O. Pauley, Great Northern Life, said his company's experience under the new forms embodying the provisions adopted has so far been entirely satisfactory. The salesmen are pleased and no serious objection has been made to any feature. To meet any possible objections, one of the company's old policies was continued, but very few are being sold and Mr. Pauley said it probably will be dropped entirely before very long. He held that there are many of the new provisions that could be used to advantage in other than quarterly premium policies, mentioning especially the insuring clause, which is the same as

that adopted by the bureau and could be used, he said, in even the most limited forms. He expressed the belief that there are many other points on which agreement may later be secured.

T. Leigh Thompson, National Life & Accident, said too much emphasis can not be placed on uniform phraseology, and that most of the troubles encountered in the courts, insurance departments and in the field can be traced to the lack of it, but said that in the light of his own company's experience he could not agree to the plan under which indemnities would be reduced, beginning with age 56. His company in 1911 adopted a plan under which indemnities were reduced at 55 on policies taken before age 50 and at 60 on those purchased after that age. It caused so much dissatisfaction among policyholders that the company was forced virtually to disregard it to protect good business and finally dropped it six or seven years later. All of them would say that the agent hadn't told them about it. Maybe he had not, or maybe they had forgotten it in the five years intervening, but the results were the same.

### Must Either Raise Rates or Reduce Indemnities

He agreed with Mr. Pauley that it was necessary either to raise rates or reduce indemnities, but differed with him as to which road to take. He said a dissatisfied policyholder "would cuss the whole business," and that contracts should be framed so as to cause the least friction. If the premiums were raised, he declared, there would be no misunderstanding. The policyholder would either pay or drop the policy.

Mr. Pauley replied that the only thing necessary is to write him a note when he reaches age 56, "and I would rather try to sell him that idea than an increased premium."

Mr. Grant said the older policyholder must face the fact that his earning capacity has decreased and if he was insured for the proper amount before, he is then overinsured. He insisted that a rate raise would result in adverse selection, as the only ones who would pay the higher rate would be those who expected to collect. He said consideration had been given to the idea of making it optional with the policyholder as to rate increase or indemnity decrease, but that idea was rejected. He said his own company had for several years reduced indemnities at 60. J. M. Powell, Loyal Protective, said the Fraternal Protective, now the Massachusetts Indemnity, has used the plan for years and reports its experience satisfactory.

### Forrest Favors Higher Rate to Start With

A. E. Forrest, North American Accident, opposed both suggestions and declared that the solution is to make the rate high enough in the first place to cover the entire life of the policy. He said that is what has stabilized life insurance.

Isaac Miller Hamilton, Federal Life, suggested that if the example of the life companies were followed it would be necessary to make the policy non-cancellable for an indefinite period, and he did not believe many of the accident and health companies would be willing to do that. He asked what the selling argument for the higher premium would be to the younger man who had no assurance of being able to carry the policy on through. He said consideration must be given to the factor of adverse selection and the fact that the older man is less able to pay.

J. W. Scherr, Inter-Ocean Casualty, said his company had adopted all of the new program except this one provision, but was not entirely sold on that.

E. C. Bowlby, Fidelity Health & Accident, expressed the belief that it is primarily a matter of education and that if all the companies should adopt this provision, it would not be long until the public would become accustomed to it.



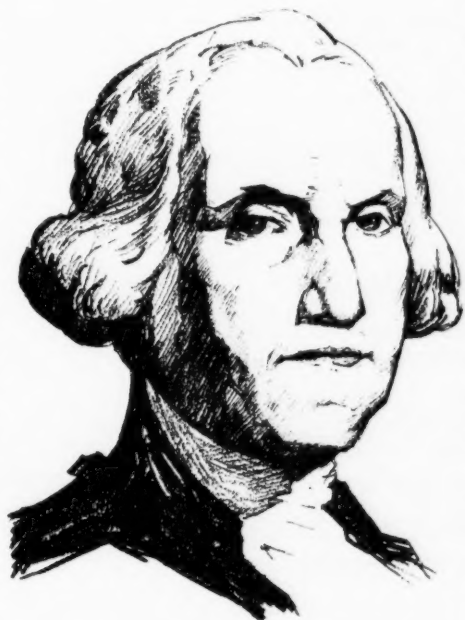
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